

AUGUST 1985/\$10.00

AFTERMARKET/ACCESSORIES

# **AUTOMOTIVE EXECUTIVE 1985 DEALER BUSINESS G · U · I · D · E**

OFFICIAL PUBLICATION OF THE NATIONAL AUTOMOBILE DEALERS ASSOCIATION

The complete reference for  
auto and truck dealers

BUSINESS SERVICES

SALES SUPPORT

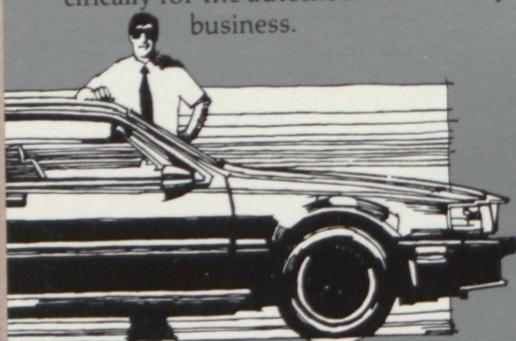
SERVICE/PARTS/BODY SHOP

INDEX OF SUPPLIERS

# NOW, GET EVERY COVERAGE YOU NEED FROM THE PEOPLE WHO KNOW YOUR NEEDS THE BEST:

## PROPERTY/CASUALTY

Only Universal Underwriters has over sixty years of experience in writing property/casualty insurance specifically for the automobile dealership business.



Our Unicover III policy offers every possible coverage for your dealership — but you only pay for the coverage you need. You'll never need to change policies when your protection needs change; you'll never need to add policies when you need to add coverage.

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This sensitive area of the automobile dealership business takes careful planning — and that's why Universal is

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## COMPLETE COVERAGE

Universal Underwriters is the only company that offers insurance specifically for the automobile dealership business. And now we offer every insurance product your dealership needs. For more information, call Marsha Thompson toll free at 1-800-821-7803.

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### The Specialists.

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*This ad for UUIC's new Extended Services Contract began appearing April 1.*

Circle #57 on Reader Service Card



# One of your best salesmen is always silent... Almost.

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Tilt-Wheel helps sell cars... lots of them. One quiet click of the Tilt-Wheel lever and it's easy in, easy out for your prospects. Tilt-Wheel enhances the roomy feeling of the car, too. Even today's more personal-size cars.

**"click"**

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**"click"**

Tilt-Wheel Adds Profit. Tilt-Wheel adds selling power to both your new GM cars and light trucks while adding little to your inventory cost... and nothing to overhead... on new and used vehicles.

**"click"**

Tilt-Wheel offers a lot for the money. Tilt-Wheel talks real value at just \$110 Manufacturers Suggested Retail Price while returning up to \$100 at resale, based on current leading used car guides.

**"click"**

With 6-position Saginaw Tilt-Wheel, sales "click" into place.

## Tilt-Wheel

It does so much...  
yet costs so little.



# Building your GM Dealership is as easy as GMAC

GMAC offers innovative financial programs to GM Dealers for one very good reason—to help them build strong, thriving dealerships. And we have plenty of experience. Over the years, we've helped GM Dealers like

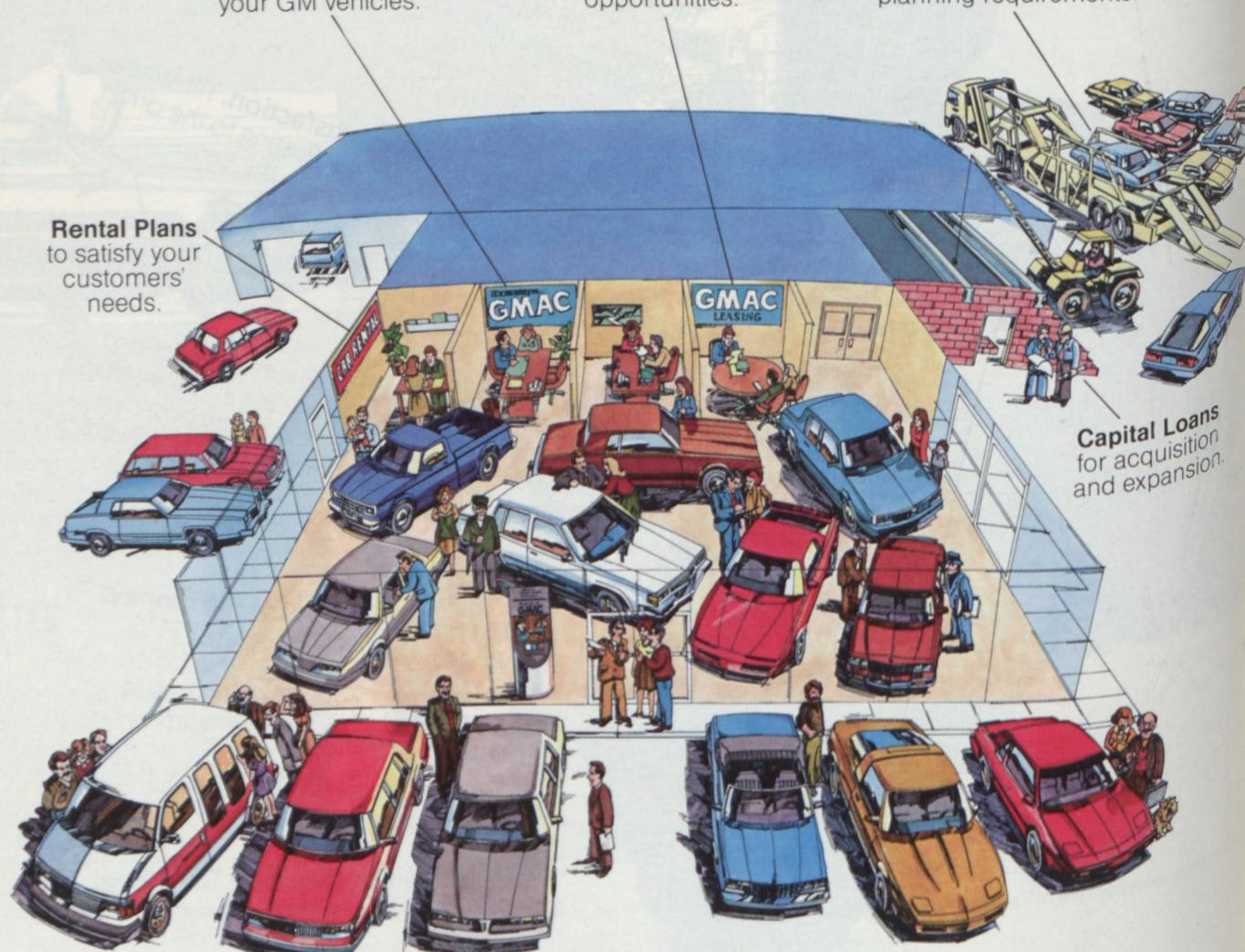
you sell nearly 100 million GM cars and trucks.

Our business is helping your business grow and prosper. And with our full range of financial services, that's as easy as GMAC.

**Retail Financing**  
to help consumers buy  
your GM vehicles.

**Leasing**  
to open new profit  
opportunities.

**Wholesale Financing**  
to meet all your floor-  
planning requirements.

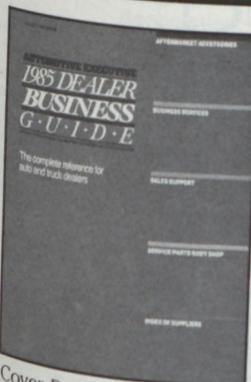


**GMAC**  
Complete Financial Services  
for GM Dealers

Circle #29 on Reader Service Card

# AUTOMOTIVE EXECUTIVE

OFFICIAL PUBLICATION OF THE NATIONAL AUTOMOBILE DEALERS ASSOCIATION



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## 1985 Dealer Business Guide

### How To Use This Issue 5

#### NADA Data

Highlights from the 1985 edition of "NADA Data," an annual publication that examines dealer and industry performance

7

#### Aftermarket/Accessories

- Striking Back at the Mass Merchandisers 37
- Buyer's Guide 40

47

#### Business Services

- Strong Advertising Sells More than Dealer's Name 51
- How to Shop Smartly for Dealership Computer Systems 56
- A New Approach to Prospecting for Customers 60
- Buyer's Guide

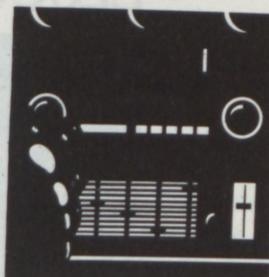
#### Sales Support

- Addressing the Future: Ten Questions for Review 69
- Improving the Performance of Used Car Operations 72
- Boosting Dealer Profits Through Leasing Business 74
- Converting F&I Into Dealership Profit Gains 80
- P.S. NADA: Top Service for Members 85
- Buyer's Guide 88

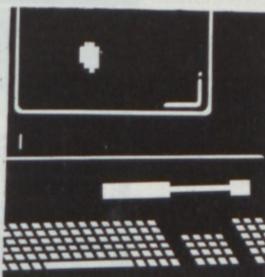
#### Service/Parts/Body Shop

- Service Survey Reflects Opportunities 95
- Maximizing Parts Wholesaling 105
- Buyer's Guide 107

#### Index of Suppliers 115



37



47



69



95

# SOME LIGHTING SYSTEMS JUST LIGHT UP YOUR LOT. ELSCO HELPS SELL YOUR PRODUCT!



Let's face facts. A well lit merchandise area is a must when it comes to selling automobiles. If it looks good it sells! That's why it's important to have Elsco Lighting Products' Auto King VI on your lot.

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Whether you're building a new location or retrofitting an existing one, you'll see why Auto King VI is setting the standards for quality, performance, efficiency, and design for auto merchandise areas.

To learn more about the amazing Auto King VI call or write Elsco Lighting Products, Inc.



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Publisher, Robert C. Daly  
Director of Publications, Peter S. Lukasiak  
Managing Editor, Gary James  
Associate Editor, Joan Rubin  
Assistant Editor, Gerry Donohue  
Contributing Features Writers, Ted Orme  
and Mary Anne Shreve  
Production Manager, Donald E. Wheeler  
Graphics Coordinator, Mary Quiring  
Graphics Assistant, Teresa Mayes  
Editorial Assistant, Carol Bowlds  
Design Consultant, Bono Mitchell

## Advertising Offices

National Advertising Manager  
Eastern/Detroit Sales  
Judy Solomon, 8400 Westpark Drive  
McLean, VA 22102, (703)821-7160  
Midwest Sales Representative  
Ken Geelhood, 16850 Saturn Lane,  
Suite 100, Houston, TX 77058,  
(713)488-8417  
Western Sales Representatives  
Stuart Kessel, Paul Conser,  
15720 Ventura Blvd., Suite 610,  
Encino, CA 91436, (818)906-1816  
Van/RV Representative  
Beverly K. Gardner, 29089 U.S. Highway  
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## NADA Commentary

## How To Use This Issue

Welcome to the "1985 Dealer Business Guide," *Automotive Executive's* complete reference for auto and truck dealers. This issue represents our first annual guide, which we plan to publish each August. Contained in its pages is a wealth of information to help dealerships both large and small plan for new and expanded profit opportunities.

Designed as an easy-to-use desktop source, our "Dealer Business Guide" provides ideas, facts and tips you'll refer to all year long. Inside are insightful features about dealership profit centers, summaries of dealer performance and detailed guides to products and services. We think you'll agree this issue is must reading for every dealer's management team.

"The Dealer Business Guide" is divided into four profit-oriented sections: aftermarket/accessories, business services, sales support and service/parts/body shop. Two other sections are also worth noting. The first is the introduction which, among other features, contains highlights from "NADA Data," a summary of dealer performance in 1984 with exclusive facts and figures.

The other not-to-be-missed section is the index at the back of the issue. This index provides a comprehensive list of manufacturers and suppliers of automotive products and services.

Various sections are separated by color-coded tabs, which fold out to make finding the information you need that much easier.

Each section focuses on how dealers can better capitalize on profit potential in specific dealership departments. The sales support section, for example, looks at leasing, used cars and F&I management, and explores profit opportunities many dealers overlook. Included are "nifty ideas" drawn from dealers who participate in NADA 20 Groups.

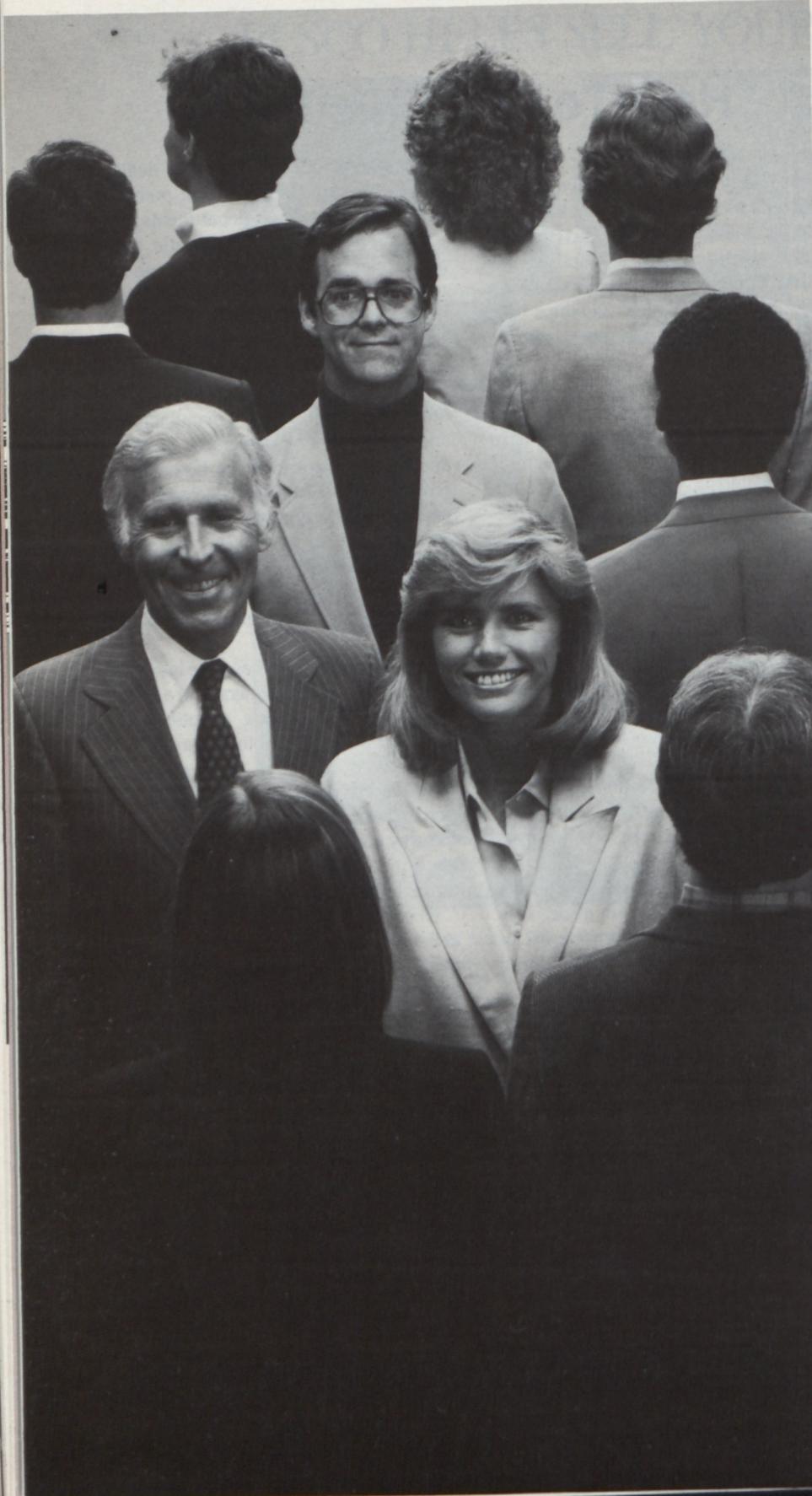
Near the end of each section are our buyer's guides, listings of manufacturers and distributors of dealership products and services broken down by category. From air conditioning to wheel alignment equipment, these guides point out leading suppliers in any given category by name. Cross-referenced in the index is a complete alphabetical listing of all the companies, with addresses and phone numbers.

These buyer's guides and the index are designed to provide dealers with a fingertip source for locating suppliers. We spent the better part of this year contacting firms to appear in these guides to ensure accuracy and up-to-date information. The upbeat level of activity in the industry is evidenced by the large number of firms interested in reaching you through the pages of this magazine.

Of course, as with any first effort, there are sure to be some companies that have been left out. Or some story angle you wish had been covered. Let us know what you think of this special issue. We welcome your ideas for improving its usefulness. After all, we're here to serve you.

Enjoy.

# 7 OUT OF 10 PROSPECTS WALK. HERE'S HOW YOU CAN TURN THEM AROUND.



What can you do about the walkers? Plenty. You can turn many of them into incremental profit.

Because that's what happens when you have General Electric Credit Auto Lease, Inc. (GECAL) Showroom Leasing working for you.

With GECAL Showroom Leasing, you get a comprehensive, aggressive program that can help stop those walkers in their tracks. And help you sell more cars loaded with options—at full sticker price.

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First, we do our homework. One of our seventy leasing experts takes a careful look at your business, then helps you plan a leasing program tailored for your dealership.

Next, we train your managers and sales people. We arm them with techniques for turning non-buyers into leasers.

We show them how to meet prospect challenges head-on. How to overcome objections. And how to close a leasing deal.

We provide you with sales promotion material—brochures, direct mail, tent cards and stickers.

#### SUPPORT THAT JUST WON'T QUIT

But unlike other leasing programs, we don't install the program, and take a walk ourselves. We make sure you get professional service and support.

We work with your back office so documentation becomes routine. We provide a computer rundown each month, so you know what cars are coming off lease.

We back you with GECAL's consistent credit standards—standards you can rely on, so your sales people can close deals fast.

And we respond quickly with full payment for each deal. The day we get your paperwork is the day we send your check.

#### CALL GECAL TODAY

So stop looking at the backs of walkers. Start looking at the smiles of leasers. And start smiling yourself at more sales. Talk to your GECAL sales manager or call 800-243-2222 today.

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# NADA DATA

This year, for the first time, *Automotive Executive* presents highlights from the 1985 edition of "NADA Data," an annual publication produced by NADA's Industry Analysis and Dealership Operations Group that examines dealer and industry performance. Presented on the following pages are detailed charts and figures on market penetration, departmental sales, credit trends, advertising mix, payroll and more. You'll find this special report offers valuable insight into past sales as well as future opportunities.

Throughout the report, one overriding trend emerges: dealerships are becoming increasingly large businesses. As a result, they have a growing impact on both local and national economies.

Since franchised dealers are major employers in their communities, it is a welcome sign that sales increases have led to a rebuilding of payrolls. In 1984, total dealership employment increased 7 percent to 779,800 persons. The average dealer in 1984 employed 32 persons and carried an annual payroll of \$623,000. The dealerships totalled \$15.4 billion and represented 10.3 percent of the total retail

trade payroll in the U.S.

After advancing 17 percent in 1983, total new-unit sales increased another 18 percent last year. Due to this continued recovery, total dollar sales of all franchised dealerships rose to a record \$230.6 billion, accounting for 17.8 percent of total U.S. retail sales. Service and parts sales, along with used-car sales, also increased.

The total economic impact of America's dealers goes far beyond sales and service, however. In order to successfully operate their businesses, dealers spend vast sums of money. In 1984, dealers had total expenditures (excluding cost of goods sold) of \$26.1 billion. Typical expenditures include advertising (\$2.2 billion), rent and equivalent (\$2.0 billion), floorplan interest (\$1.5 billion) and heat, light and power (\$0.7 billion).

In addition to being an important source of tax revenues, dealers and their employees also contribute much time and money to local charities and civic groups. In 1984, it is estimated that franchised dealers contributed more than \$75 million to such causes.

Given the tremendous impact dealers have on our economy, it is good news

that they remain optimistic about the future. For the past nine years, NADA's Industry Analysis Division has conducted a quarterly survey of dealers' profit expectations. This survey provides an accurate advance measurement of dealers' profit experience and serves as a barometer of national economic trends.

At the beginning of this year, NADA's Optimism Index stood at a level of 151—considerably less than the peak of 180 reached in January of 1984, but still high by historical standards. This latest reading indicates that dealers believe the motor vehicle industry's recovery will continue at a modest pace through 1985.

This report is aimed at providing a useful financial profile of America's franchised dealerships, as well as an assessment of their impact on the economy. If you'd like to order copies of the complete study (\$5.00 apiece), or need further information, please call NADA Industry Analysis at (703)821-7088.

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*Special thanks to NADA's Industry Analysis and Dealership Operations Group for providing the information used in this special report.*

## NADA OPTIMISM INDEX

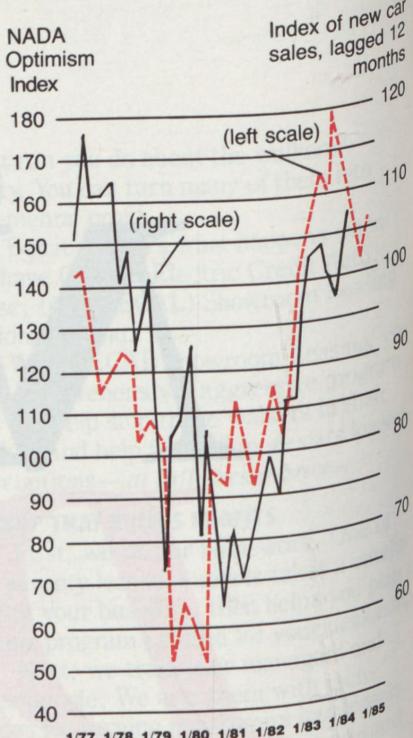
For the past 8½ years, NADA's Industry Analysis Division has conducted a quarterly survey of the profit expectations of new-car and truck dealers for the succeeding 12 months. The survey results have closely matched dealers' actual profit experience and also serve as a barometer of national economic trends.

At the beginning of 1985, the NADA Optimism Index stood at a level of 151—considerably less than its peak of 180 reached in January of last year, but still high by historical standards. This high level of optimism is very encouraging news because, as can be seen in the chart, dealers have been quite prescient with respect to turning points in the national economy and new-car sales.

Throughout 1981 and 1982, when

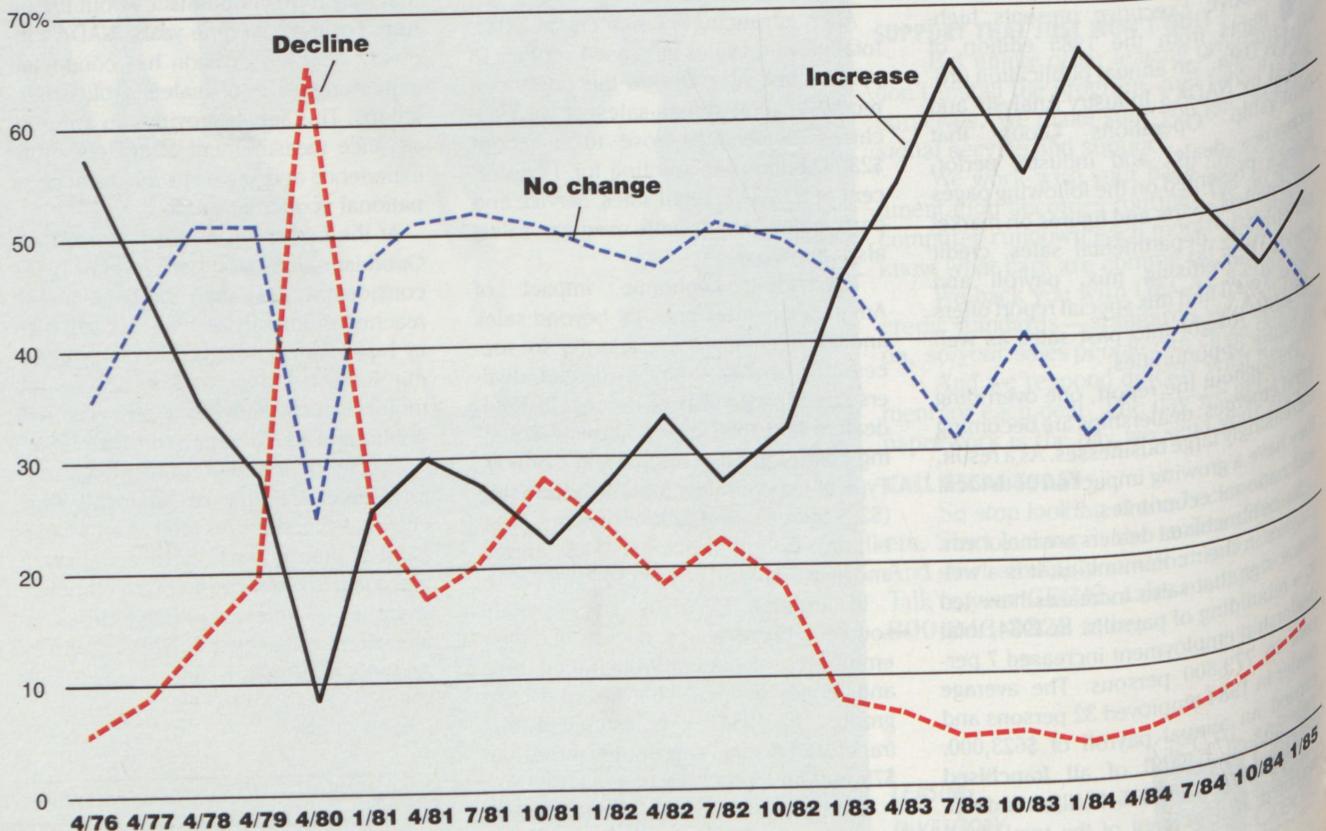
many industry analysts were constantly predicting an imminent turnaround in new-vehicles, dealers showed no significant increase in optimism. In retrospect it can be noted that the low level of dealer optimism was well-founded. The NADA Optimism Index began its most recent rise in early 1983 and subsequently new-car sales began to improve. The current high level of dealer optimism indicates that dealers believe the motor vehicle industry's recovery will continue at a modest pace throughout 1985.

### Optimism Index vs. New Car Sales



### Expectations for Dealership Profits

Percent of dealers expecting profits to:



Source: NADA Industry Analysis Division

# The AutoArmor Winning Team.

AutoArmor salutes these 150 outstanding members of our Winning Team. For over 10 years, each of these car dealers has increased profits by offering ECP AutoArmor quality products: Paint, Fabric, and Rust Protection, Sound Shield, as well as our new Interior Protection Package. Together with our research, manufacturing, and marketing staffs, these dealers have made vital contributions to the AutoArmor Success Story. Join the Winning Team. Call AutoArmor president Larry Garman at 1-800-323-3521 (in Illinois 1-312-986-2400).



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Al Starr VW

Wilbraham, MA

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Baltimore, MD

Art & Gene's

Chev/Olds/Cad

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A & S Motors

Lincoln, ME

Atchley Ford

Omaha, NEBR

Autohaus

Cohasset, MA

Barcomb Motor Sales

Hardwick, VT

Bauer Ford Mercury

Brookville, IN

Pete Baur Pontiac

Strongsville, OH

Baxter Chry/Ply

Omaha, NE

Bean Chevrolet Co.

Northfield, VT

Dick Beard Chevrolet

Hannan, MA

Hayden Beardslee

Cassopolis, MI

Bergstrom Chev/

Buick/Cad

Neenah, WI

Bernard Olds

Sheboygan, WI

Bilcke Olds

Albion, MI

Boyle's of Gloucester

Gloucester, MA

Boron GMAC Truck

Canton, OH

Bourinval Chry/

Ply/Mazda

Lowell, MA

Bourque Motors

Manchester, NH

Brooks Motor Sales

Rensselaer, IN

Bob Brown Chevrolet

Des Moines, IA

George Bumbu Ford

Newton Falls, OH

Burlington Dodge

Burlington, MA

Buzzards Bay Garage

Buzzards Bay, MA

Car Center Chry/Ply

Baltimore, MD

Chadelaine Truck Cnt

Lunenburg, MA

L. H. Chace Chevrolet

Middleboro, MA

Chrysler Ply West

Baltimore, MD

Cumberland Motor Sls

Plattburg, NY

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Dwight, IL  
Dino Buick

Stoughton, MA

Bill Dodge Olds/Saab

Brunswick, ME

Downtown Motors

Warren, OH

Dulany Lincoln Mercury

Timonium, MD

Durand Chevrolet

Hudson, MA

Du Teau Chevrolet

Lincoln, NEBR

Elbery Motors

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Fairplay GMC

Bloomfield, IN

Foley Chrysler/Ply

Quincy, MA

Gaylord Ford

Gaylord, MI

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Gratz Chevrolet/Olds

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Plymouth

Baltimore, MD

Hallissy World of Cars

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Stu Hanson Dodge

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Bloomington, IL

May Harris Motors

Remington, IN

Hartford Motors

White River Jct., VT

Mary Hartwig Datsun

Iowa City, IA

Les Hatch Pontiac

Traverse City, MI

Arnold B. Harvey Ford

Paw Paw, MI

Heritage Buick

Peoria, IL

Larry Herron

Williamsport, PA

H & H Chevrolet

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Springfield, MA

Howard Chevrolet

W. Roxbury, MA

Jessman's Garage

Lisbon, NH

Jones City Garage

Chebogyan, MI

Leslie Kaskinen Chev

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Merc/Nissan

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Maine Mall Motors

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Dave Mason Linc/Merc

Indianapolis, IN

McIntyre Olds/Cad

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Don Meyer Ford Mercury

Greensburg, IN

Millbrook Motors

Duxbury, MA

Miller Ford

Beaver Dam, WI

Model Motors

Camp Hill, PA

Modern Motors

Fond Du Lac, WI

Moorheads Ford Sales & Service

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Mueller Auto Company

Juneau, WI

Muzi Ford City

Needham, MA

H.J. Nassar

Lawrence, MA

Neldner Ford Sales

Lexington, IL

Newton Chry/Ply

Newton, MA

Rosen Novak

Omaha, NE

Nummerdor Bros.

Waupun, WI

Old Colony Serv. Cnt

Egarnow, MA

Old Mill Toyota

Omaha, NE

Oste Chevrolet

Boston, MA

Patalano Ford

Franklin, MA

Paige Motors

Amherst, MA

Peoples Garage

Skowhegan, ME

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Rudy's Auto

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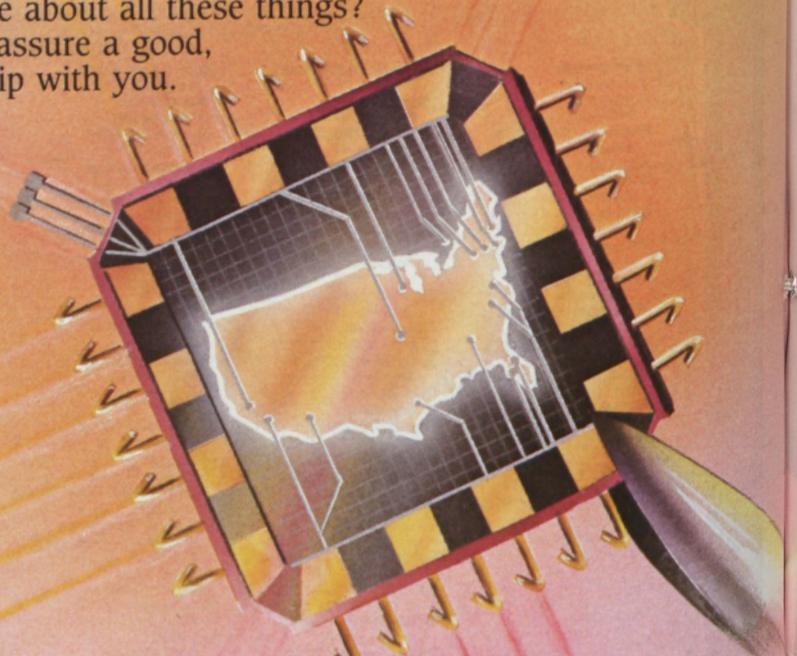
We didn't invent the term. But, we practice it every day. Dealers, both large and small, use our 16 Auctions every week, because we offer the right vehicle mix for the buyer; we get good vehicle prices for the seller; we do the whole job at our full service facilities; we know what we're doing, through years of developing sound administrative practices, many of which we *did* invent.

And, We're User Friendly!

Dealers like us, because we cater to *all* their needs. Our reputation for fair and equal treatment—be it in arbitration procedures, or in accountability—is an industry standard.

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## AVERAGE DEALER PROFILE

Total dollar sales for the average dealership increased sharply in 1984 to a new record. The new-vehicle department's share of total dealership sales continued to advance in 1984 due to the rise in unit sales of new cars and trucks. Although both the used-vehicle and the service and parts departments accounted for a smaller share of total dealership sales in 1984, both had dollar sales increases in excess of 14 percent.

In addition to having increases in dollar sales, all dealership departments also had increases in the actual unit volume of work performed. The average dealership had a 17-percent increase in new-unit sales. Used-unit sales increased 11 percent and the total number of repair orders performed by the

average dealership increased 7 percent.

In 1984, both gross and expense as a percent of sales declined for the fourth consecutive year. As shown below, the trend has been for dealerships to become increasingly larger businesses that operate on increasingly narrower margins.

Some representative major expenses for the average dealership in 1984 are as follows:

|                     |           |
|---------------------|-----------|
| Total payroll       | \$623,000 |
| Advertising         | 88,500    |
| Rent and equivalent | 80,200    |
| Floorplan interest  | 60,600    |

The sharp recovery in new-unit sales from the downturn of 1980-1982 has

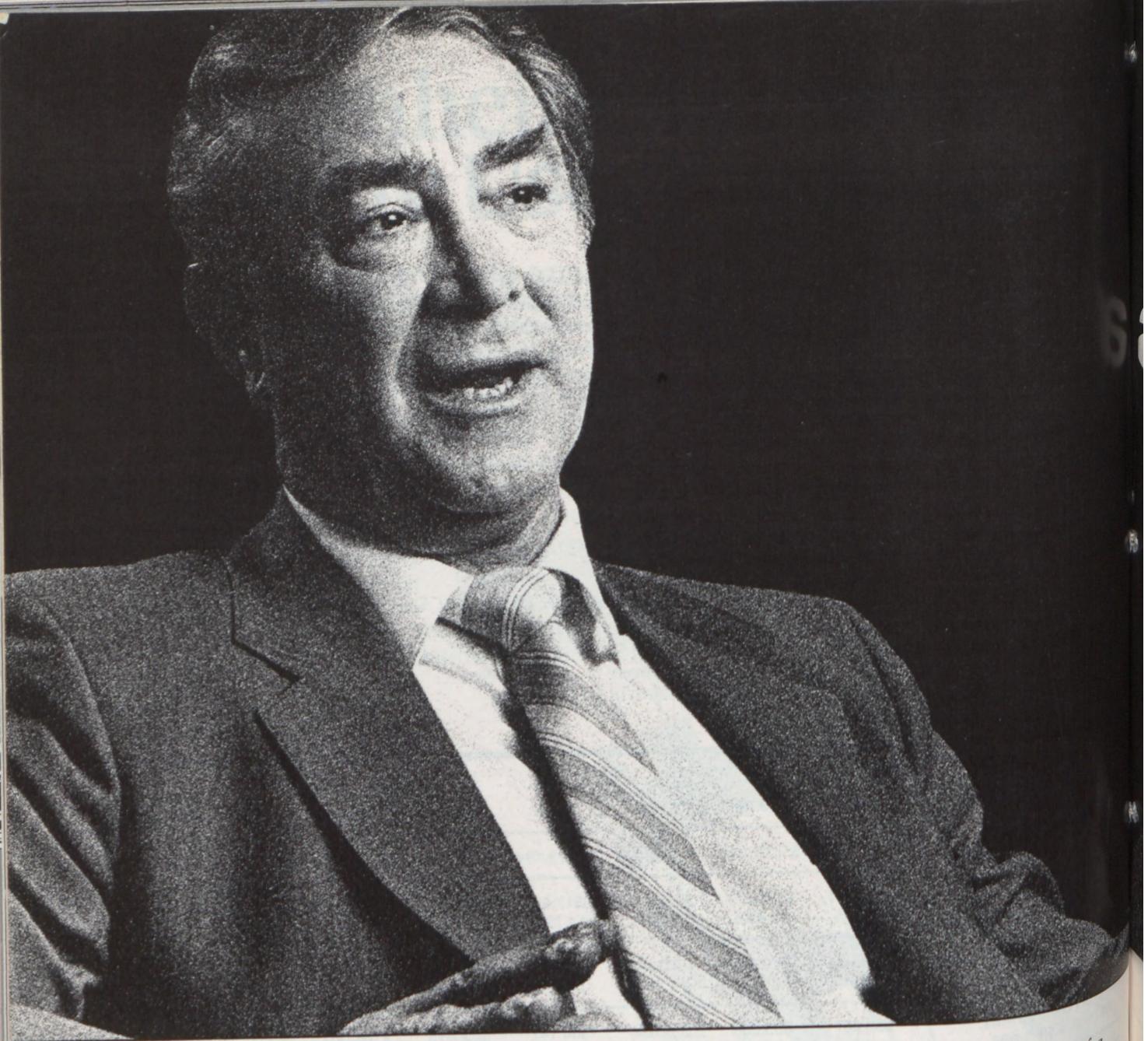
allowed dealership profitability to return to more normal levels. Net profit before tax as a percent of total sales was 2.18 percent in 1984. This was the highest profit margin recorded since 1973.

Dealership profitability as measured by return on investment has also shown tremendous gains, especially if one considers the cost of money. Deducting the average yield on one-year Treasury bills from the dealer's net profit before tax as a percent of net worth shows that in 1980 the average dealer had a negative return. In 1984, this measure of profitability reached its highest level ever.

### Average Dealership Profile

|   | 1978                  | 1979                  | 1980                  | 1981                  | 1982                  | 1983                  | 1984                  | % change<br>1983-84 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
| Total dealership sales                          | \$4,717,718           | \$5,005,359           | \$4,760,000           | \$5,529,484           | \$6,139,848           | \$7,710,594           | \$9,319,939           | 20.87%              |
| Total dealership gross<br>As % of total sales   | \$676,521<br>14.34%   | \$725,277<br>14.49%   | \$731,612<br>15.37%   | \$817,811<br>14.79%   | \$852,211<br>13.88%   | \$1,058,665<br>13.73% | \$1,257,260<br>13.49% | 18.76%              |
| Total dealership expense<br>As % of total sales | \$584,054<br>12.38%   | \$662,209<br>13.23%   | \$702,576<br>14.76%   | \$753,669<br>13.63%   | \$772,393<br>12.58%   | \$893,658<br>11.59%   | \$1,054,085<br>11.31% | 17.95%              |
| Net profit before taxes<br>As % of total sales  | \$92,467<br>1.96%     | \$63,068<br>1.26%     | \$29,036<br>0.61%     | \$64,142<br>1.16%     | \$79,818<br>1.30%     | \$165,007<br>2.14%    | \$203,175<br>2.18%    | 23.13%              |
| (Net pre-tax profit in<br>constant '67 dollars) | \$47,312              | \$29,005              | \$11,765              | \$23,550              | \$27,607              | \$55,293              | \$65,308              | 18.11%              |
| New vehicle dept. sales<br>As % of total sales  | \$3,024,057<br>64.10% | \$3,178,403<br>63.50% | \$2,932,160<br>61.60% | \$3,378,515<br>61.10% | \$3,769,867<br>61.40% | \$4,888,517<br>63.40% | \$6,095,240<br>65.40% | 24.68%              |
| Used vehicle dept. sales<br>As % of total sales | \$986,003<br>20.90%   | \$1,016,088<br>20.30% | \$999,600<br>21.00%   | \$1,266,252<br>22.90% | \$1,399,885<br>22.80% | \$1,734,884<br>22.50% | \$1,985,147<br>21.30% | 14.43%              |
| Service and parts sales<br>As % of total sales  | \$707,658<br>15.00%   | \$810,868<br>16.20%   | \$828,240<br>17.40%   | \$884,717<br>16.00%   | \$970,096<br>15.80%   | \$1,087,194<br>14.10% | \$1,239,552<br>13.30% | 14.01%              |
| New vehicles average<br>selling price           | \$6,470               | \$6,950               | \$7,530               | \$8,850               | \$9,910               | \$10,725              | \$11,100              | 3.50%               |
| Average net worth<br>(As of 12/31)              | \$353,123             | \$397,566             | \$378,981             | \$385,330             | \$421,693             | \$556,722             | \$568,983             | 2.20%               |
| Net profit as % of net worth                    | 26.19%                | 15.86%                | 7.66%                 | 16.65%                | 18.93%                | 29.64%                | 35.71%                |                     |

Source: NADA Industry Analysis Division



"Go west, young man," the saying goes.  
And Frank Coletto did.

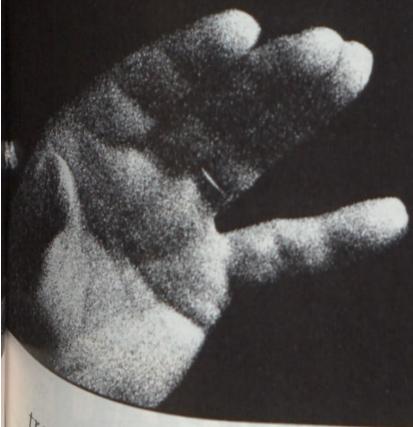
Originally from Amityville, Long Island, he moved to California after a hitch in the Navy. Frank started selling cars in 1958 at a Ford dealership. Today he owns his own.

"My business is my life, and Ford is home. My goal," Mr. Coletto vows, "is to make Coletto Ford one of the most outstanding dealerships in the country." Frank will undoubtedly do just that, for he's a man who cares—about his customers, products and people. He recently started a Credit Union for his employees. And he offers Ford Extended Service Plan protection to every customer. Here's what this dedicated dealer says frankly about...

**CUSTOMERS AND ESP:** "Taking care of a customer's needs and building repeat business is the lifeblood of any company. If you're not a caring person, it will show in the people you have around you. They won't care either—and it will go through your whole organization like a cancer and destroy it. Most car dealers try to stay in business year in and year out by building a strong foundation of repeat and referral customers. This is what selling ESP has helped us do. Ford ESP keeps our customers happy—they realize we really want to take good care of them.

"We're out to achieve the highest possible level of customer satisfaction in every phase of our business. That's why we offer customers only quality products, parts and service con-

# “Ford ESP gives me repeat and referral business lesser quality programs don’t.”



Frank P. Coletto

Frank Coletto  
President and Owner  
Frank Coletto Ford, Inc.  
Harbor City, California

tracts. We always try to provide customers with the very best we can—like the Ford Extended Service Plan.”

**ESP QUALITY:** “My people really took to the quality of this service program. We do a strong job selling ESP because we really believe in it. It’s the very first thing we sell after a Ford—and more than 80% of our new car customers buy ESP. We sell it as an outstanding value, pointing out that repairs can happen no matter how good the car is—even Rolls-Royce has a service department.

“Of course, we train our sales managers, assistant sales managers, and F&I people to sell ESP. Of the many new ESP contracts they

sell, some 98% are ESP Plus.<sup>TM</sup> Our service manager would stand on his head if we switched from ESP. It’s so simple to administer.”

**ESP ON FLEET VEHICLES:** “A good customer just leased about 85 Fords from us. When I presented the purchase package, including ESP Plus, they stepped right up and bought it. They know their fleet transportation needs will be taken care of and I know we’ll have a better shot at their return business. In my mind, we aren’t doing the best for our customers if we don’t sell them ESP.”

Your customers deserve the benefits of Ford ESP, too. And so does your dealership. Just ask Frank Coletto, 1-213-325-9220.



Circle #25 on Reader Service Card

## NUMBER OF FRANCHISED NEW CAR DEALERSHIPS

For the second consecutive year, the total franchised new-car dealership count remained unchanged. Unlike last year, however, the dealership count in each individual state also remained fairly stable. On January 1, 1985, there were an estimated 24,725 franchised new-car dealerships in operation—the same count as at the beginning of 1983.

A strong increase in new-vehicle sales coupled with a stable dealership population has, of course, resulted in a significant increase in size for most dealerships. Presented below are our current estimates as to the distribution of dealerships among four volume categories.

| Annual New-Unit Sales Volume | Number of Dealerships |
|------------------------------|-----------------------|
| 0-149                        | 8,035                 |
| 150-399                      | 8,160                 |
| 400-749                      | 4,450                 |
| 750 or more                  | 4,080                 |

The following expiatory notes are needed to interpret the breakdown of dealerships by category.

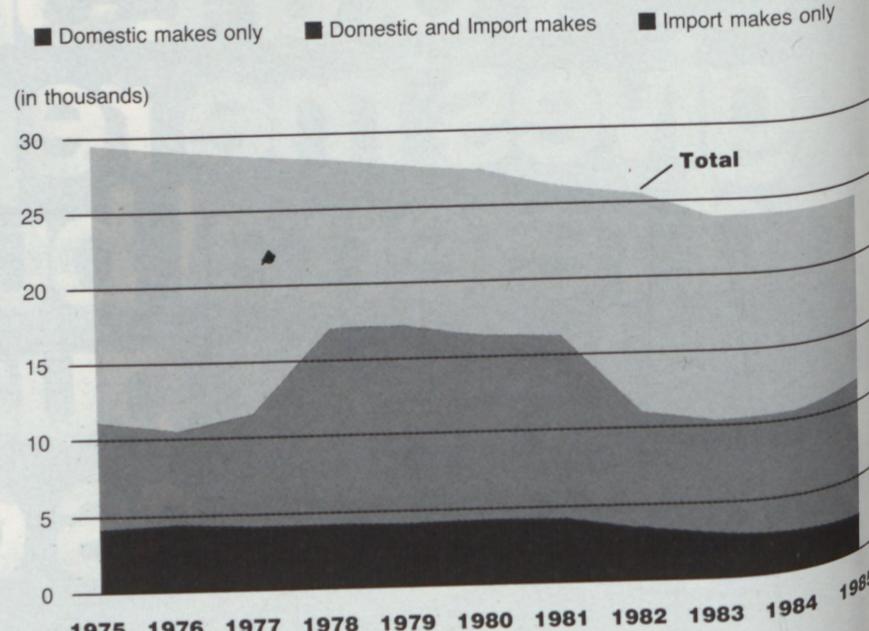
■ The large increase in the category entitled "handling both domestic and import makes" that occurred in 1984 was a result of Chevrolet's introduction of two captive imports—the Sprint and the Spectrum. Of the 8,600 dealers in this category in 1984, approximately 2,050 represent Chevrolet dealers that are selling their manufacturer's captive import and another 3,975 represent Chrysler dealers handling their manufacturer's captive import. The remaining 2,575 dealers represent domestic dealers dualed with a non-captive import.

■ Starting in 1983, AMC-Renault dealerships have been classified as "handling domestic makes only." (Renault owns controlling interest in AMC, but Renault's largest sellers are built in the U.S.)

■ Starting in 1982, Volkswagen dealers have been classified as domestic dealers

### Estimated Number of Franchised New Car Dealerships

As of the beginning of the year



### Estimated Number of Franchised New Car Dealerships

By state as of January 1, 1985

|               |       |                   |               |
|---------------|-------|-------------------|---------------|
| Alabama       | 343   | Montana           | 202           |
| Alaska        | 28    | Nebraska          | 325           |
| Arizona       | 194   | Nevada            | 75            |
| Arkansas      | 350   | New Hampshire     | 166           |
| California    | 1,745 | New Jersey        | 745           |
| Colorado      | 283   | New Mexico        | 150           |
| Connecticut   | 367   | New York          | 1,410         |
| Delaware      | 70    | North Carolina    | 698           |
| D.C.          | 9     | North Dakota      | 199           |
| Florida       | 780   | Ohio              | 1,172         |
| Georgia       | 596   | Oklahoma          | 453           |
| Hawaii        | 58    | Oregon            | 312           |
| Idaho         | 162   | Pennsylvania      | 1,570         |
| Illinois      | 1,278 | Rhode Island      | 93            |
| Indiana       | 630   | South Carolina    | 315           |
| Iowa          | 613   | South Dakota      | 182           |
| Kansas        | 440   | Tennessee         | 450           |
| Kentucky      | 370   | Texas             | 1,530         |
| Louisiana     | 378   | Utah              | 153           |
| Maine         | 198   | Vermont           | 107           |
| Maryland      | 362   | Virginia          | 602           |
| Massachusetts | 585   | Washington        | 385           |
| Michigan      | 890   | West Virginia     | 282           |
| Minnesota     | 601   | Wisconsin         | 770           |
| Mississippi   | 310   | Wyoming           | 101           |
| Missouri      | 635   | <b>TOTAL U.S.</b> | <b>24,725</b> |

Source: NADA Industry Analysis Division

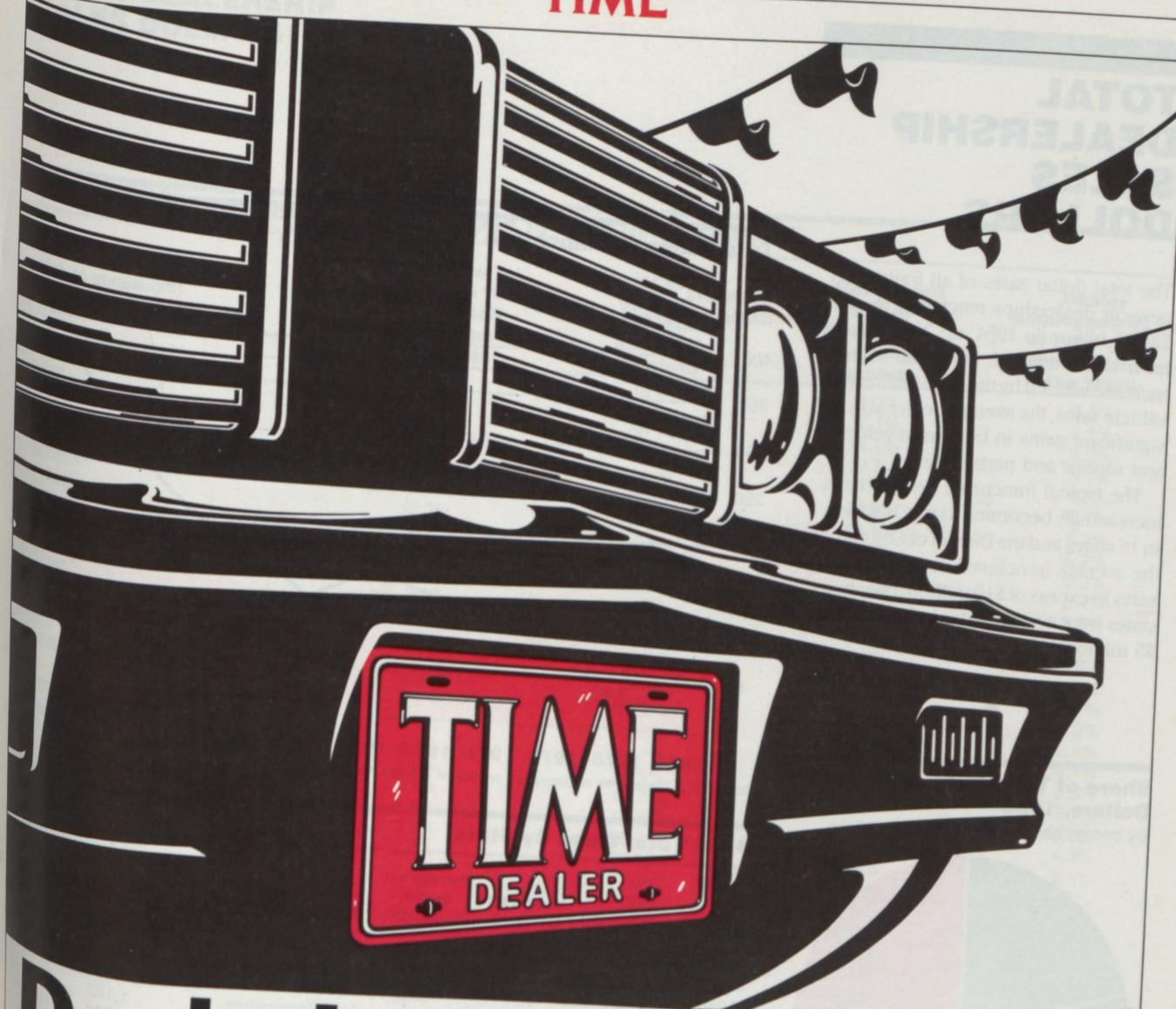
(the majority of Volkswagens sold in the U.S. are produced in the U.S.)

■ There is a growing trend for one dealer principal to operate, or have a financial interest in, more than one dealership. In such instances, each dealership has been counted once and placed in the category appropriate for the

make(s) it handles. (Recent NADA surveys indicate that 13 percent of all dealers have a financial interest in more than one dealership.)

■ Of the total 24,725 new-car dealerships, approximately two-thirds sell or have the right to sell their manufacturer's light-duty truck models.

# TIME



## Dealer's choice.

*America's auto dealers know vehicles—and TIME is the vehicle they prefer for magazine advertising.*

You would expect auto dealers to have strong opinions about the magazine that works best for auto advertising. And they do. Last year an independent survey of new-car dealers across the country found that more of them prefer to see their models advertised in TIME—by a three-to-one margin over the nearest competitor.

The study went further. It found that more dealers read and subscribe to TIME than any other magazine, including their auto-

motive trade magazines.

Conclusion? As businessmen, dealers appreciate TIME as an advertising tool; as readers, they trust its reputation for quality journalism.

Yes, auto dealers respect TIME. And the feeling is mutual. Each year TIME presents its prestigious Quality Dealer Award at the NADA convention. This commitment to enhancing the reputation of America's auto dealers, now in its 15th year, is another reason TIME is the dealer's choice.

Call Jeff Cornish, TIME's Domestic Automotive Category Manager at (313) 874-8207 to receive a booklet describing the dealer survey. He can also give you more reasons why TIME is the dealer's choice—and the manufacturer's choice—and the reader's choice.

TIME

**Get more out of it.**

Source: CRC Information System Survey

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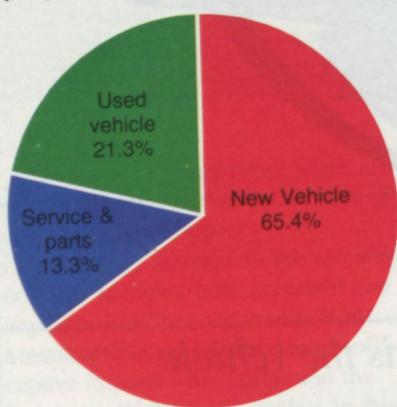
# TOTAL DEALERSHIP SALES DOLLARS

The total dollar sales of all franchised new-car dealerships reached a record \$230.6 billion in 1984, up 21.5 percent from 1983. Although the dollar sales increase was led by the recovery in new-vehicle sales, the average dealer also had significant gains in both used-vehicle and service and parts sales.

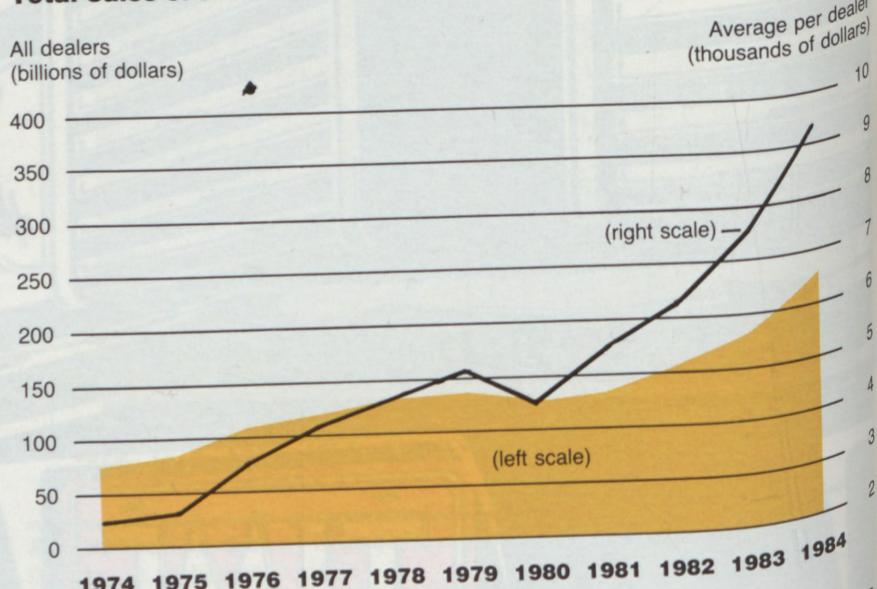
The typical franchised dealership is increasingly becoming a large business. In 16 states and the District of Columbia, the average franchised dealership had sales in excess of \$10 million. In only six states were average sales in 1984 below \$5 million.

## Share of Total Dealership Sales Dollars, 1984

By department



## Total Sales of Franchised New Car Dealers



Source: U.S. Department of Commerce and NADA Industry Analysis Division

## 1984 Total Sales By State

| State         | All dealers<br>(\$ millions) | Average per<br>dealer<br>(\$ thousands) | State             | All dealers<br>(\$ millions) | Average per<br>dealer<br>(\$ thousands) |
|---------------|------------------------------|---|-------------------|------------------------------|---|
| Alabama       | \$ 3,443                     | \$10,038                                | Montana           | \$ 749                       | \$ 3,709                                |
| Alaska        | 473                          | 16,888                                  | Nebraska          | 1,438                        | 4,423                                   |
| Arizona       | 3,171                        | 16,340                                  | Nevada            | 1,089                        | 14,523                                  |
| Arkansas      | 1,965                        | 5,615                                   | New Hampshire     | 1,162                        | 7,003                                   |
| California    | 24,771                       | 14,195                                  | New Jersey        | 7,864                        | 10,556                                  |
| Colorado      | 3,674                        | 12,983                                  | New Mexico        | 1,269                        | 8,457                                   |
| Connecticut   | 3,385                        | 9,223                                   | New York          | 12,033                       | 8,534                                   |
| Delaware      | 684                          | 9,771                                   | North Carolina    | 5,901                        | 8,454                                   |
| D.C.          | 118                          | 13,160                                  | North Dakota      | 857                          | 4,308                                   |
| Florida       | 14,330                       | 18,372                                  | Ohio              | 10,412                       | 8,884                                   |
| Georgia       | 6,591                        | 11,059                                  | Oklahoma          | 4,377                        | 9,662                                   |
| Hawaii        | 656                          | 11,319                                  | Oregon            | 2,608                        | 6,723                                   |
| Idaho         | 848                          | 5,236                                   | Pennsylvania      | 10,555                       | 8,398                                   |
| Illinois      | 10,964                       | 8,579                                   | Rhode Island      | 781                          | 8,978                                   |
| Indiana       | 5,204                        | 8,260                                   | South Carolina    | 2,828                        | 3,799                                   |
| Iowa          | 2,572                        | 4,195                                   | South Dakota      | 691                          | 10,418                                  |
| Kansas        | 2,486                        | 5,651                                   | Tennessee         | 4,688                        | 11,772                                  |
| Kentucky      | 2,728                        | 7,374                                   | Texas             | 18,012                       | 8,556                                   |
| Louisiana     | 3,917                        | 10,364                                  | Utah              | 1,309                        | 5,051                                   |
| Maine         | 1,076                        | 5,436                                   | Vermont           | 540                          | 9,874                                   |
| Maryland      | 4,888                        | 13,503                                  | Virginia          | 5,974                        | 8,803                                   |
| Massachusetts | 5,943                        | 10,159                                  | Washington        | 3,389                        | 5,499                                   |
| Michigan      | 10,342                       | 11,620                                  | West Virginia     | 1,551                        | 5,864                                   |
| Minnesota     | 4,299                        | 7,152                                   | Wisconsin         | 4,515                        | 4,910                                   |
| Mississippi   | 1,862                        | 6,008                                   | Wyoming           | 496                          | 4,910                                   |
| Missouri      | 5,074                        | 7,991                                   | <b>Total U.S.</b> | <b>230,552</b>               | <b>9,320</b>                            |

# TOTAL DEALERSHIP SALES DOLLARS

## Relationship of Franchised New-Car Dealers to Total Retail Trade

|                   | Number of dealers as % of total retail establishments in the state | Dealer sales as % of total retail sales in the state | Dealer payroll as % of total retail payroll in the state | Dealer employees as % of total retail employment in the state |
|-------------------|--|--|--|---|
| Alabama           | 2.0%   | 18.8%  | 11.7%  | 5.4%  |
| Alaska            | 1.6%   | 16.8%  | 7.1%   | 5.1%  |
| Arizona           | 1.6%   | 20.7%  | 11.1%  | 5.2%  |
| Arkansas          | 2.6%   | 18.3%  | 10.7%  | 5.1%  |
| California        | 1.4%   | 15.9%  | 11.1%  | 4.6%  |
| Colorado          | 1.9%   | 20.2%  | 11.9%  | 5.1%  |
| Connecticut       | 2.3%   | 17.8%  | 10.1%  | 5.2%  |
| Delaware          | 1.9%   | 19.8%  | 9.8%   | 5.2%  |
| D.C.              | 0.4%   | 2.7%   | 3.4%   | 0.9%  |
| Florida           | 1.4%   | 21.5%  | 11.1%  | 5.4%  |
| Georgia           | 2.3%   | 21.7%  | 10.1%  | 5.8%  |
| Hawaii            | 1.0%   | 10.7%  | 7.5%   | 2.9%  |
| Idaho             | 3.0%   | 17.8%  | 13.0%  | 5.8%  |
| Illinois          | 2.5%   | 18.4%  | 9.0%   | 4.0%  |
| Indiana           | 2.4%   | 17.0%  | 10.4%  | 4.2%  |
| Iowa              | 3.2%   | 15.8%  | 11.6%  | 5.0%  |
| Kansas            | 3.0%   | 18.5%  | 12.2%  | 5.4%  |
| Kentucky          | 2.3%   | 14.7%  | 10.3%  | 4.7%  |
| Louisiana         | 2.0%   | 18.5%  | 12.4%  | 5.3%  |
| Maine             | 3.1%   | 17.2%  | 11.1%  | 6.1%  |
| Maryland          | 1.8%   | 18.6%  | 10.3%  | 5.3%  |
| Massachusetts     | 2.1%   | 15.2%  | 8.5%   | 4.3%  |
| Michigan          | 2.3%   | 22.0%  | 10.6%  | 5.1%  |
| Minnesota         | 2.7%   | 17.0%  | 10.0%  | 4.2%  |
| Mississippi       | 2.8%   | 16.8%  | 12.5%  | 5.7%  |
| Missouri          | 2.5%   | 17.2%  | 10.3%  | 4.7%  |
| Montana           | 3.3%   | 16.6%  | 12.6%  | 5.8%  |
| Nebraska          | 3.1%   | 15.8%  | 11.1%  | 4.7%  |
| Nevada            | 1.7%   | 20.9%  | 12.3%  | 4.8%  |
| New Hampshire     | 3.0%   | 19.6%  | 12.1%  | 6.4%  |
| New Jersey        | 2.0%   | 17.5%  | 9.3%   | 4.4%  |
| New Mexico        | 2.3%   | 19.4%  | 12.6%  | 5.5%  |
| New York          | 1.7%   | 13.3%  | 7.2%   | 3.6%  |
| North Carolina    | 2.4%   | 18.5%  | 10.8%  | 5.7%  |
| North Dakota      | 3.9%   | 23.1%  | 15.4%  | 6.9%  |
| Ohio              | 2.4%   | 18.7%  | 9.3%   | 4.4%  |
| Oklahoma          | 2.9%   | 25.5%  | 11.9%  | 6.4%  |
| Oregon            | 2.3%   | 15.7%  | 11.1%  | 5.0%  |
| Pennsylvania      | 2.6%   | 17.6%  | 10.4%  | 5.0%  |
| Rhode Island      | 1.9%   | 15.7%  | 7.8%   | 3.9%  |
| South Carolina    | 2.3%   | 19.0%  | 10.6%  | 5.3%  |
| South Dakota      | 3.6%   | 18.7%  | 13.3%  | 5.9%  |
| Tennessee         | 2.2%   | 19.0%  | 11.3%  | 5.3%  |
| Texas             | 1.9%   | 18.9%  | 11.0%  | 5.1%  |
| Utah              | 2.5%   | 17.2%  | 11.0%  | 4.7%  |
| Vermont           | 3.2%   | 18.6%  | 12.4%  | 6.1%  |
| Virginia          | 2.4%   | 19.0%  | 12.2%  | 6.3%  |
| Washington        | 2.1%   | 13.7%  | 9.8%   | 4.4%  |
| West Virginia     | 3.3%   | 16.6%  | 12.9%  | 6.4%  |
| Wisconsin         | 2.9%   | 19.6%  | 10.6%  | 4.8%  |
| Wyoming           | 3.0%   | 16.7%  | 12.8%  | 5.9%  |
| <b>Total U.S.</b> | <b>2.1%</b>  | <b>17.8%</b>   | <b>10.3%</b>   | <b>4.8%</b>   |

Source: NADA Industry Analysis Division

**We wish to express our  
thanks and appreciation  
to our growing network  
of quality new car dealers  
for caring enough about  
their customers to offer them  
America's Number One  
Used Car Choice:  
The Detroit II Automobile.**

**THE DETROIT II CORPORATION**

**Orlando,  
Florida**



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# THE NEW VEHICLE DEPARTMENT

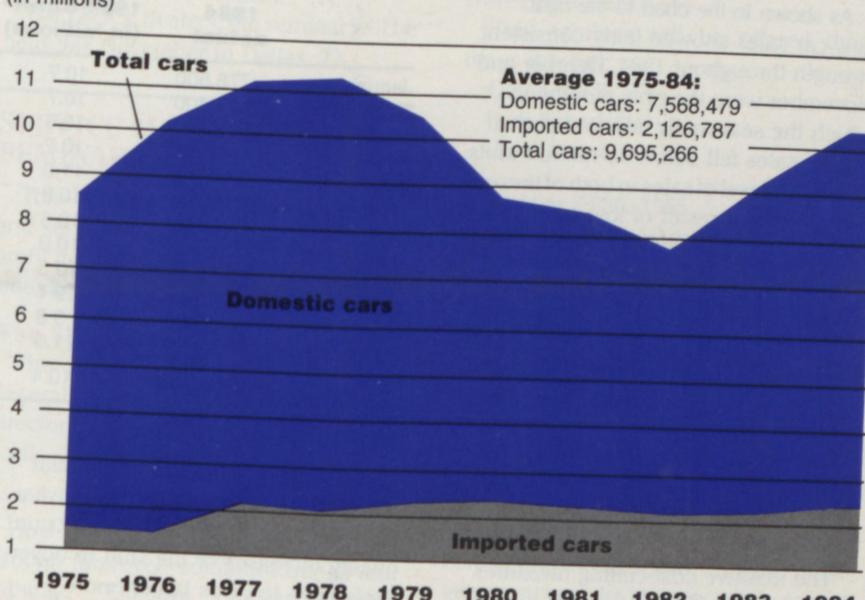
After rising 15 percent in 1983, new-car unit sales advanced another 13 percent in 1984. The two-year increase in sales is attributable to the economic recovery and the sharp rise in consumer confidence. It is generally believed that new-car sales will show only a modest increase in 1985.

Domestic new-car sales rose 17 percent in 1984, while import sales, which continued to be restrained by Japanese voluntary export quotas, rose only 2 percent. As a result, the market share of imports fell to 23.5 percent, their lowest level since 1979 and not considerably higher than their average level of penetration over the past 10 years.

The table below shows that, on the domestic side, both Chrysler and Ford showed significant increases in market penetration. The only other manufacturer to increase its market penetration was Honda. Not unrelated, Honda was the only Japanese

## New Passenger Car Sales

Annual totals  
(in millions)



Source: Ward's Automotive Reports

## Market Penetration Share of total U.S. new-car sales

| Year              | AMC     | Chrysler  | Ford      | General Motors | Volkswagen | Nissan  | Honda   | Toyota  | Other imports | Total      |
|-------------------|---------|-----------|-----------|----------------|------------|---------|---------|---------|---------------|------------|
| 1975              | 322,272 | 997,116   | 1,983,723 | 3,747,009      | 267,730    | 259,842 | 102,389 | 287,103 | 665,768       | 8,632,952  |
| 1976              | 3.73%   | 11.55%    | 22.98%    | 43.40%         | 3.10%      | 3.01%   | 1.19%   | 3.33%   | 7.71%         |            |
| 1977              | 247,640 | 1,301,940 | 2,256,277 | 4,800,716      | 201,760    | 270,103 | 150,929 | 346,900 | 529,485       | 10,105,750 |
| 1978              | 184,361 | 1,219,752 | 2,552,210 | 5,148,131      | 262,932    | 388,383 | 223,633 | 493,048 | 706,394       | 11,178,844 |
| 1979              | 170,739 | 1,146,258 | 2,582,702 | 5,385,282      | 242,241    | 339,364 | 274,876 | 441,800 | 727,149       | 11,310,411 |
| 1980              | 162,057 | 942,205   | 2,140,368 | 4,917,911      | 295,293    | 472,252 | 353,291 | 507,816 | 869,158       | 10,660,351 |
| 1981              | 149,438 | 660,017   | 1,475,231 | 4,116,482      | 269,466    | 516,890 | 375,388 | 582,195 | 833,477       | 8,978,584  |
| 1982              | 136,682 | 729,873   | 1,380,600 | 3,796,696      | 244,910    | 464,806 | 370,705 | 576,491 | 832,372       | 8,533,135  |
| 1983              | 112,433 | 691,703   | 1,345,698 | 3,515,660      | 159,529    | 470,246 | 365,865 | 530,246 | 788,365       | 7,979,745  |
| 1984              | 193,351 | 841,622   | 1,571,321 | 4,053,561      | 162,065    | 521,902 | 401,072 | 555,766 | 881,386       | 9,182,071  |
| Average 1975-1984 | 190,255 | 986,998   | 1,979,317 | 4,587,508      | 177,332    | 485,298 | 508,420 | 557,979 | 917,708       | 10,390,815 |
|                   | 186,923 | 951,748   | 1,926,745 | 4,406,896      | 228,328    | 418,909 | 312,657 | 487,934 | 775,126       | 9,695,266  |
|                   | 1.93%   | 9.82%     | 19.87%    | 45.45%         | 2.36%      | 4.32%   | 3.22%   | 5.03%   | 7.99%         |            |

Source: Ward's Automotive Reports

## THE NEW VEHICLE DEPARTMENT

manufacturer that, at the time, had significant car production capabilities in the U.S.

As shown in the chart to the right, new-car sales showed fairly consistent strength throughout 1984. October and November were the only months in which the seasonally adjusted annual rate of sales fell below 10 million units. The lower level of sales in both of these months was a result of low inventories caused by the strike at General Motors and other start-up problems that occurred at new-model introduction.

The strong rise in new-car sales in both 1983 and 1984, coupled with the dealership attrition of past years, has resulted in a tremendous increase in the average number of new cars sold per dealer. In 1984, the average dealership sold 420 new cars—the highest level of sales ever.

The massive cost-cutting measures undertaken by the automobile manufacturers during the past several years have allowed them to keep recent price increases very modest. In 1984, the average new-vehicle selling price rose only 3.5 percent. The selling price figures

### Average Number of New Cars Sold Per Dealer and Average Selling Price Per Vehicle

| Year | New cars sold | Average vehicle selling price |
|------|---------------|-------------------------------|
| 1974 | 300           | \$ 4,390                      |
| 1975 | 295           | 4,750                         |
| 1976 | 346           | 5,470                         |
| 1977 | 385           | 6,120                         |
| 1978 | 391           | 6,470                         |
| 1979 | 373           | 6,950                         |
| 1980 | 327           | 7,530                         |
| 1981 | 326           | 8,850                         |
| 1982 | 316           | 9,910                         |
| 1983 | 373           | 10,725                        |
| 1984 | 420           | 11,100                        |

Source: NADA Industry Analysis Division

### New Car Sales by Month Seasonally Adjusted Annual Rate

|           | 1984<br>actual | 1984 SAAR*<br>(in millions) | 1983<br>actual | 1983 SAAR*<br>(in millions) | % change<br>1983-1984 |
|-----------|----------------|-----------------------------|----------------|-----------------------------|-----------------------|
| January   | 778,800        | 10.7                        | 595,900        | 8.3                         | 30.7%                 |
| February  | 841,400        | 10.7                        | 627,700        | 8.2                         | 34.0%                 |
| March     | 963,900        | 10.0                        | 821,500        | 8.3                         | 17.3%                 |
| April     | 895,600        | 10.2                        | 764,200        | 8.8                         | 17.2%                 |
| May       | 1,047,200      | 11.0                        | 837,200        | 9.1                         | 25.1%                 |
| June      | 952,500        | 10.8                        | 904,000        | 9.8                         | 5.4%                  |
| July      | 889,800        | 10.6                        | 791,600        | 9.7                         | 12.4%                 |
| August    | 814,900        | 10.0                        | 740,700        | 9.0                         | 10.0%                 |
| September | 743,500        | 10.3                        | 704,800        | 9.0                         | 5.5%                  |
| October   | 901,500        | 9.7                         | 860,800        | 9.9                         | 4.7%                  |
| November  | 802,400        | 9.8                         | 781,800        | 9.6                         | 2.6%                  |
| December  | 759,300        | 11.0                        | 751,900        | 10.6                        | 1.0%                  |
| Full year | 10,390,800     | 10.4                        | 9,182,100      | 9.2                         | 13.2%                 |

\*Seasonally Adjusted Annual Rate

below represent averages for actual transactions during the calendar year and, therefore, do not take into account quality increases or the shift in buyer preference towards larger, more expensive cars. If these two factors were considered, the recent price increases would be substantially less.

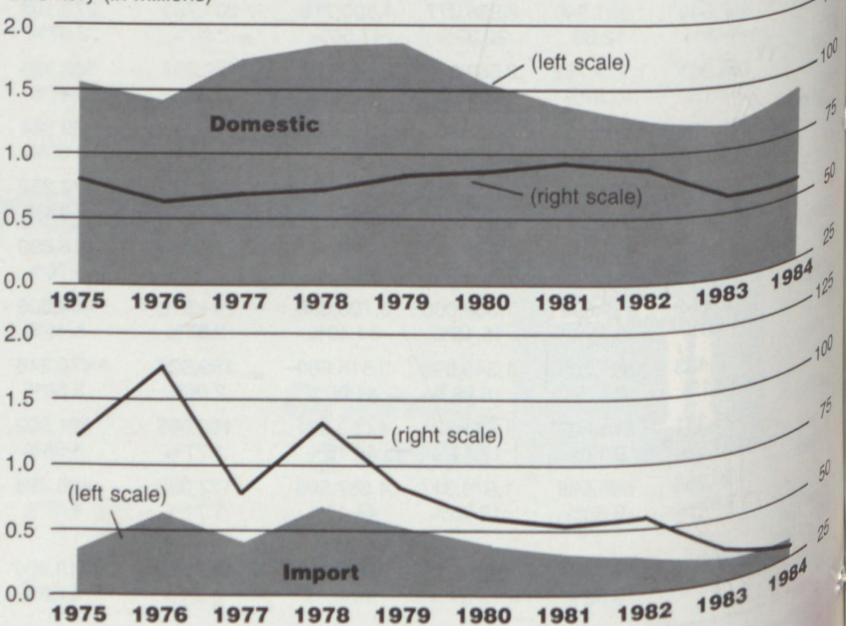
The chart at the bottom right shows that, although the average number of

new domestic cars in dealer inventories rose significantly in 1984, the average days' supply remained constant because of the increased rate of sales. Due to Japanese export restraints, import inventories have been very small in recent years. Import new car sales in 1984 were 22 percent greater than in 1978, but average import inventory levels were 64 percent smaller.

### New Car Inventories & Days Supplies

Yearly average

Inventory (in millions)



Source: Ward's Automotive Reports

# Education Corner

## BUSINESS MANAGEMENT SEMINAR

This seminar teaches dealers and managers to utilize the financial statement as a valuable management tool.

### Who Should Attend

The dealer and the business manager. Other department managers who are required to analyze their portion of the statement and set financial goals.

### You'll Learn

What key ratios the dealer should analyze monthly to make good short-term and long-term management decisions...How to determine the true worth of your business...How to set performance goals based on the strengths of your product and market area...How to compensate different types of dealership employees for maximum productivity...How to pinpoint specific problem areas in your dealership and ways of correcting the problems.

### Instructional Method

Robert P. Currie, president of R. P. Currie and Company, Inc., is the seminar instructor. Currie's firm specializes in dealer and distributor management. He will be assisted by a management consultant from the NADA 20 Group Program. Currie will use a combination of lecture, case studies and exercises using your own financial statement. An individual consultation with both instructors can be arranged in the evening.

### Price

For CAR dealers, \$499 pays for both the dealer **and** one manager. Included in the fee are seminar materials and dinner on the evening of Day One. For TRUCK dealers, \$199 is the per participant fee. Included in the fee are seminar materials and lunch on Day Two.

### Continuing Education Credit

### Dates and Locations

For CAR dealers the seminar will be held on September 17-18, 1985, at the Sher-

ton Music City, in Nashville, TN.

For TRUCK dealers, the seminar will be held this November in Dallas, TX.

## SERVICE MANAGEMENT SEMINAR

This seminar heightens the dealer's and service manager's awareness of the profit dollars that are available in the service department.

### Who Should Attend

The dealer and the service manager. General managers and service and parts directors will also find the seminar beneficial.

### You'll Learn

How to improve customer satisfaction through improved communications and training...Effective merchandising techniques...How to detect profit leaks in your service department...How to track and improve technician productivity...How to forecast accurately...How to compensate and motivate service employees.

### Instructional Method

Prior to attending the seminar, your financial statement will be analyzed by an NADA professional. The results of the analysis will be returned to you, confidentially, during the seminar. Thomas B. Ehlers, director of the NADA 20 Group Program, Robert M. Frawley, director of the NADA Marketing Division, and Jack O'Neill, manager of NADA Service Systems will combine lecture with hands-on exercises and group interaction. A service writer training film will be introduced on Day Two of the seminar. Individual consultations with one of the three instructors are available on the evening of Day One.

### Price

\$499 pays for the dealer **and** one manager. Included in the fee are seminar materials and dinner on the evening of Day One.

### Continuing Education Credit

1 CEU

**Registration Information** Call 800-252-NADA. In Virginia, call 703-821-7227.

SEMINARS

### Dates and Locations

This seminar will be offered three times this fall:

October 8-9, 1985

Park Suite Hotel

Oklahoma City, OK

October 29-30, 1985

Sheraton Inner Harbor

Baltimore, MD

December 11-12, 1985

Holiday Inn Embarcadero

San Diego, CA

## SELLING CONTRACT MAINTENANCE SEMINAR

This seminar is designed to explain contract maintenance as a way to maintain customer loyalty, increase service profits, and compete with the aggressive lessors.

### Who Should Attend

The truck dealer and the service manager.

### You'll Learn

How to market contracts effectively...How to identify prospects...The basics of rate construction...How to administer contracts...Which documents are essential to operation control.

### Instructional Method

David S. Paxson, director of the American Truck Dealers, will join with a private consultant and a successful dealer to present this seminar. Each panelist will share their research and experience, augmented by group interaction and idea-sharing.

### Price

\$199 per participant.

### Continuing Education Credit

1 CEU

### Date and Location

This seminar will be offered for truck dealers on October 23-24, 1985, at the Stouffer Dublin Hotel, Columbus, OH.

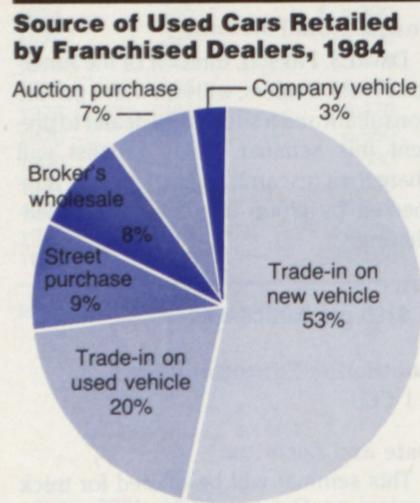
## THE USED VEHICLE DEPARTMENT

In 1984, the used-vehicle department accounted for over 21 percent of the average dealership's total sales volume. The number of used units retailed by franchised new-car dealers in 1984 rose 11 percent to 9.4 million units—the highest level since 1978. Due to the continued strong demand (and relatively low supply) of high-quality used cars, the average selling price of used units retailed by franchised new-car dealers has not moderated as much as new-vehicle prices.

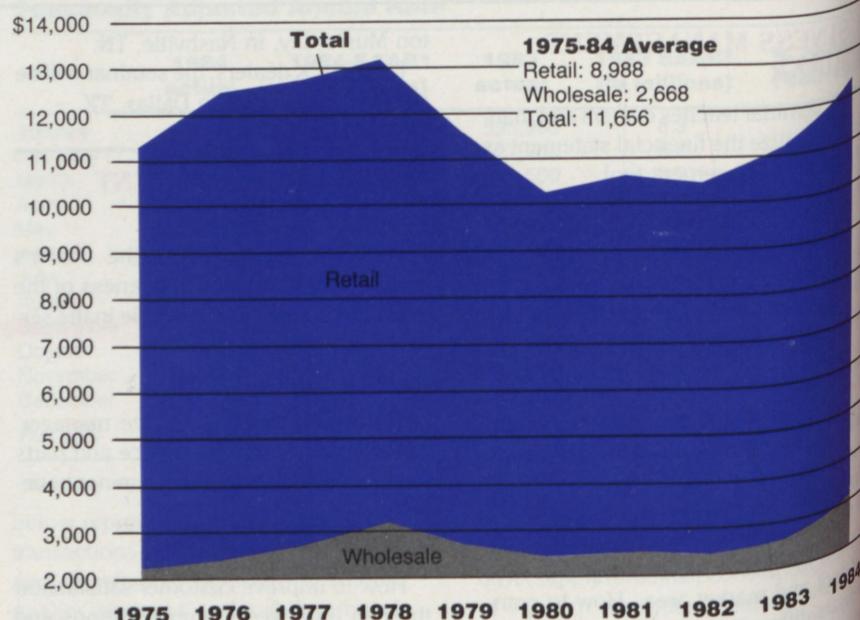
NADA surveys show the following distribution of used units retailed by model year for franchised dealers in 1984:

| Model Year     | Percentage of Total Sales |
|----------------|---------------------------|
| 1984           | 5.4%                      |
| 1983           | 11.3%                     |
| 1982           | 14.8%                     |
| 1981           | 14.9%                     |
| 1980           | 12.4%                     |
| 1979           | 12.3%                     |
| 1979 and prior | 28.9%                     |

Franchised dealers obtain used vehicles from six major sources. NADA surveys indicate that the sources of used cars retailed by franchised dealers during 1984 were as follows:

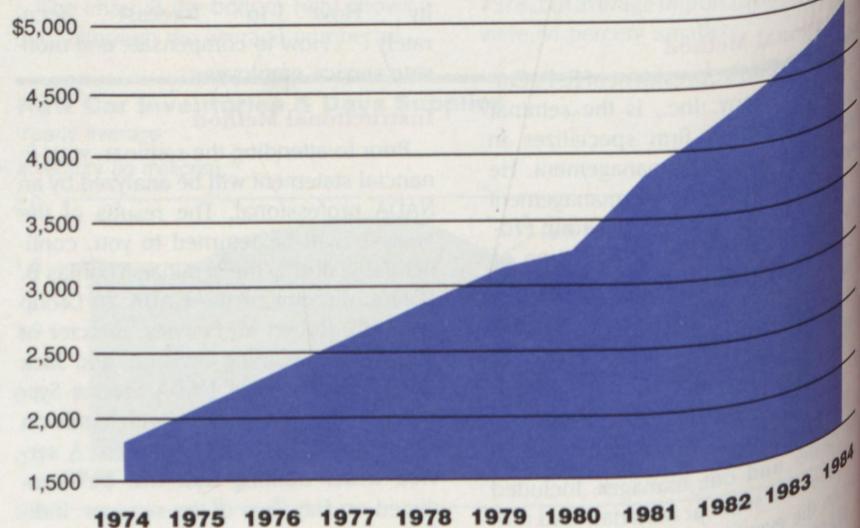


### Used Vehicle Sales by Franchised New Car Dealers



Source: NADA Industry Analysis Division

### Average Selling Price of Used Cars Retailed by Franchised New Car Dealerships



# Here's one corner we think you should cut.

If you're a franchised car or truck dealer, cut this corner to increase your profits.

**Problem Solvers**  
**NADA**

|             |                 |            |                |      |           |           |       |     |
|-------------|-----------------|------------|----------------|------|-----------|-----------|-------|-----|
| Dealer Name | Dealership Name | Franchises | Street Address | City | Telephone | Signature | State | Zip |
|-------------|-----------------|------------|----------------|------|-----------|-----------|-------|-----|

National Automobile Dealers Association  
8400 Westpark Drive, McLean, Virginia 22102  
**1800 252-NADA**  
In Virginia (703) 448-5892



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 Sales Trak  Dealer Candidate Academy  Convention & Exposition  Estate Planning  
 American Truck Dealers  Retirement Trust  Insurance Trust  
Circle #43 on Reader Service Card

## THE SERVICE AND PARTS DEPARTMENTS

In 1984, the total service and parts market accounted for almost \$95 billion in sales. An estimated \$33 billion was spent on service labor, \$46 billion on parts and accessories, and \$16 billion on tires.

The chart at the bottom right is a breakdown of service and parts sales by type of outlet for 1979 through 1984. Franchised new-car dealerships accounted for 32 percent of total service and parts in 1984, even though they accounted for only 8 percent of all auto repair facilities. This disproportionate market share reflects the propensity of dealers to do more difficult repairs, as well as the fact that new-car dealerships have larger facilities on average.

The average dealer in 1984 had a 6-percent increase in dollar sales per repair order and a 7-percent increase in the number of repair orders performed. As shown in the tables at the right, warranty work exhibited the greatest increase in dollar sales. The recovery in new-vehicle sales over the past two years has meant that vehicles still covered by warranty make up a greater percentage of all vehicles in operation.

### Number of Auto Repair Facilities, 1984

|                                |                |
|--------------------------------|----------------|
| Franchised new-car dealerships | 24,725         |
| Auto repair shops              | 183,000        |
| TBA dealers                    | 19,000         |
| Service stations               | 69,000         |
| Mass merchandisers             | 2,000          |
| All other                      | 1,400          |
| <b>Total</b>                   | <b>299,125</b> |

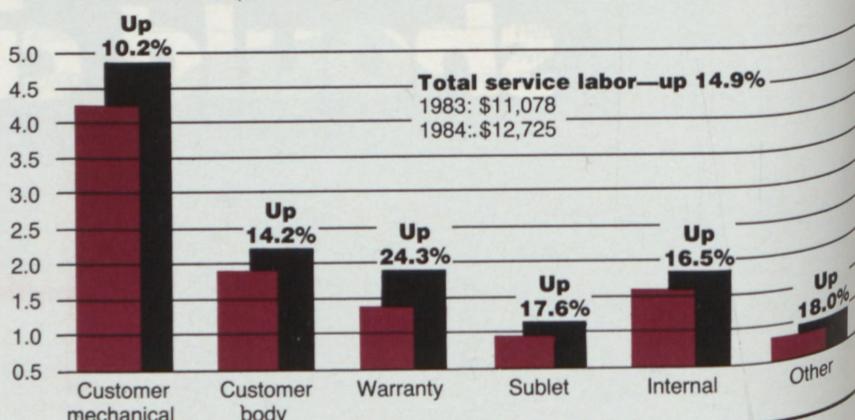
Includes independent and franchised repair shops.

Includes only those outlets that perform "significant" repair work (i.e. those establishments that perform work beyond simple oil changes or lube jobs and/or those establishments that receive at least 2% of total dollar revenue from service labor).

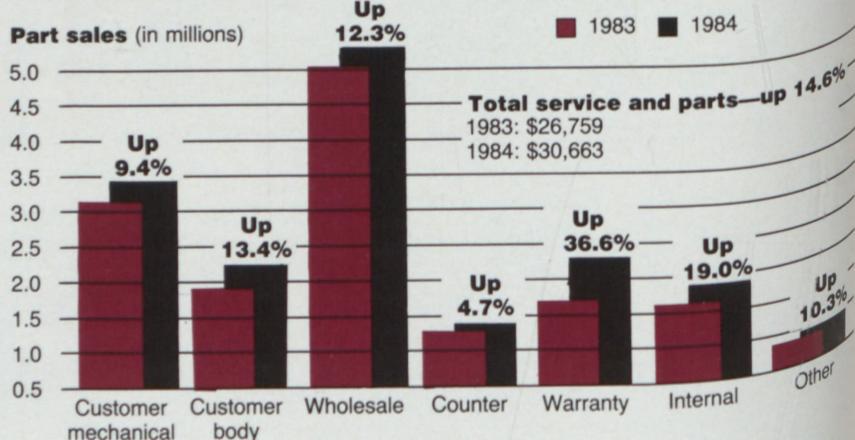
Source: NADA Industry Analysis Division

### Franchised New Car Dealer Service and Parts

#### Service labor sales (in millions)



#### Part sales (in millions)



Source: NADA Industry Analysis Division

### Total Service and Parts Market Billions of dollars

|                                     | 1979        | 1980        | 1981        | 1982        | 1983        | 1984        |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Franchised new-car dealerships      | \$23.1      | \$22.7      | \$23.1      | \$24.5      | \$26.8      | \$30.7      |
| Auto repair shops*                  | 17.7        | 18.8        | 19.9        | 21.0        | 23.1        | 25.6        |
| Tire, battery and accessory dealers | 13.3        | 14.7        | 16.1        | 17.0        | 18.7        | 20.5        |
| Gasoline service stations           | 5.8         | 6.3         | 6.6         | 6.8         | 7.5         | 7.9         |
| Mass merchandisers                  | 6.0         | 6.2         | 6.8         | 7.0         | 7.6         | 8.1         |
| All others**                        | 1.8         | 1.8         | 1.9         | 2.0         | 2.0         | 2.0         |
| <b>Total</b>                        | <b>67.7</b> | <b>70.5</b> | <b>74.4</b> | <b>78.3</b> | <b>85.7</b> | <b>94.7</b> |

\*Includes independent and franchised repair shops.

\*\*Includes non-franchised dealers, farm equipment dealers and fleet shops.

Note: Revenue for each type of repair facility includes tire sales.

Source: NADA Industry Analysis Division and U.S. Bureau of Census.

# EMPLOYMENT AND PAYROLLS

Dealerships are often one of the major employers in their local communities. Therefore, it was a welcome sign when dealers began to rebuild their payrolls after four years of consecutive decline. The total number of persons employed by dealerships increased 3.5 percent in 1983 and then increased another 6.8 percent in 1984. Nevertheless, total dealership employment is still 9.5 percent below the peak level reached in 1978.

The number and type of employees varies significantly among dealerships depending upon dealership characteristics such as size, location, primary make and the distribution of sales among departments. It is estimated, however, that the total employment count of all dealerships in 1984 was distributed as follows:

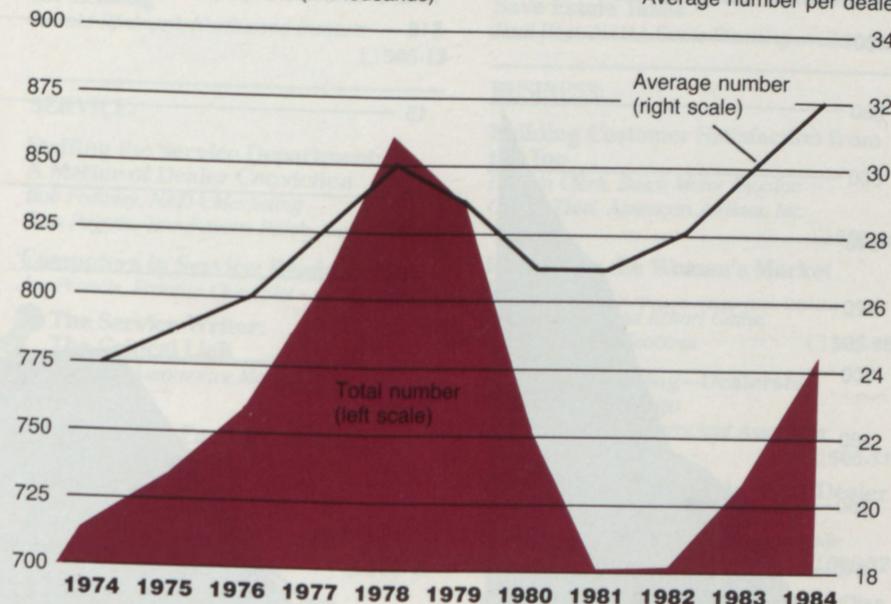
|   |                |
|---|----------------|
| New and used salespersons.....                        | 170,000        |
| Mechanics.....  | 198,800        |
| Service and parts workers (other than mechanics)..... | 200,000        |
| Supervisors, general office workers, and others ..... | 211,000        |
| <b>Total.....</b>                                     | <b>779,800</b> |

The average dealer in 1984 employed 32 persons and had an annual payroll of \$623,000. The annual payroll of all dealerships totaled \$15.4 billion and represented 10.3 percent of the total retail trade payroll in the nation.

## Estimated Number of Employees of Franchised New Car Dealers

Total number for all dealers (in thousands)

Average number per dealer



Source: NADA Industry Analysis Division

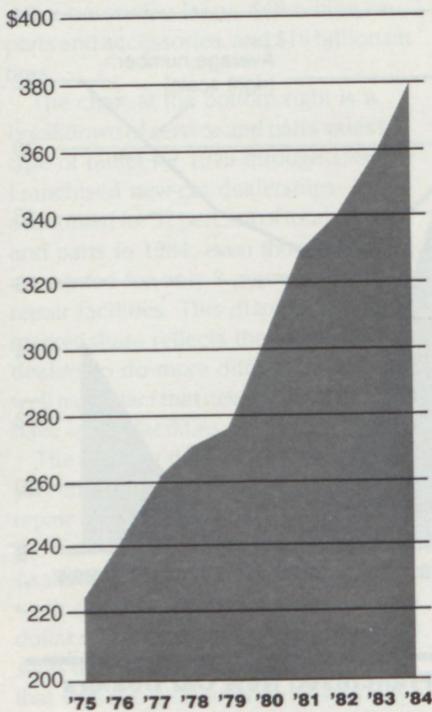
## Estimated Number of Employees of Franchised New Car Dealers 1984 averages by state

|                   | Total number all dealers | Average number per dealer | Total number all dealers | Average number per dealer |
|-------------------|--------------------------|---------------------------|--------------------------|---------------------------|
| Alabama.....      | 11,788                   | 34                        | Montana.....             | 3,177                     |
| Alaska.....       | 1,181                    | 42                        | Nebraska .....           | 5,615                     |
| Arizona.....      | 11,323                   | 58                        | Nevada .....             | 3,555                     |
| Arkansas.....     | 6,229                    | 18                        | New Hampshire ..         | 4,324                     |
| California.....   | 83,286                   | 48                        | New Jersey.....          | 22,867                    |
| Colorado .....    | 12,917                   | 46                        | New Mexico .....         | 4,721                     |
| Connecticut.....  | 11,948                   | 33                        | New York .....           | 38,389                    |
| Delaware.....     | 2,405                    | 34                        | North Carolina ...       | 21,149                    |
| D.C.....          | 537                      | 60                        | North Dakota .....       | 3,325                     |
| Florida.....      | 42,866                   | 55                        | Ohio .....               | 36,529                    |
| Georgia.....      | 21,382                   | 36                        | Oklahoma .....           | 12,973                    |
| Hawaii.....       | 2,715                    | 47                        | Oregon .....             | 10,372                    |
| Idaho.....        | 3,490                    | 22                        | Pennsylvania .....       | 39,195                    |
| Illinois.....     | 33,210                   | 26                        | Rhode Island .....       | 2,688                     |
| Indiana.....      | 17,294                   | 27                        | South Carolina....       | 10,351                    |
| Iowa .....        | 10,157                   | 17                        | South Dakota.....        | 2,898                     |
| Kansas.....       | 9,173                    | 21                        | Tennessee .....          | 15,841                    |
| Kentucky.....     | 10,147                   | 27                        | Texas .....              | 54,424                    |
| Louisiana .....   | 14,133                   | 37                        | Utah .....               | 4,603                     |
| Maine .....       | 4,233                    | 21                        | Vermont .....            | 2,166                     |
| Maryland .....    | 17,632                   | 49                        | Virginia.....            | 23,598                    |
| Massachusetts.... | 20,334                   | 35                        | Washington.....          | 12,887                    |
| Michigan .....    | 31,454                   | 35                        | West Virginia .....      | 6,644                     |
| Minnesota .....   | 14,587                   | 24                        | Wisconsin .....          | 16,970                    |
| Mississippi ..... | 7,170                    | 23                        | Wyoming .....            | 2,098                     |
| Missouri .....    | 16,850                   | 27                        | <b>Total U.S. ....</b>   | <b>779,800</b>            |
|                   |                          |                           |                          | <b>32</b>                 |

Source: NADA Industry Analysis Division

## EMPLOYMENT AND PAYROLLS

### Average Weekly Earnings of Dealership Employees



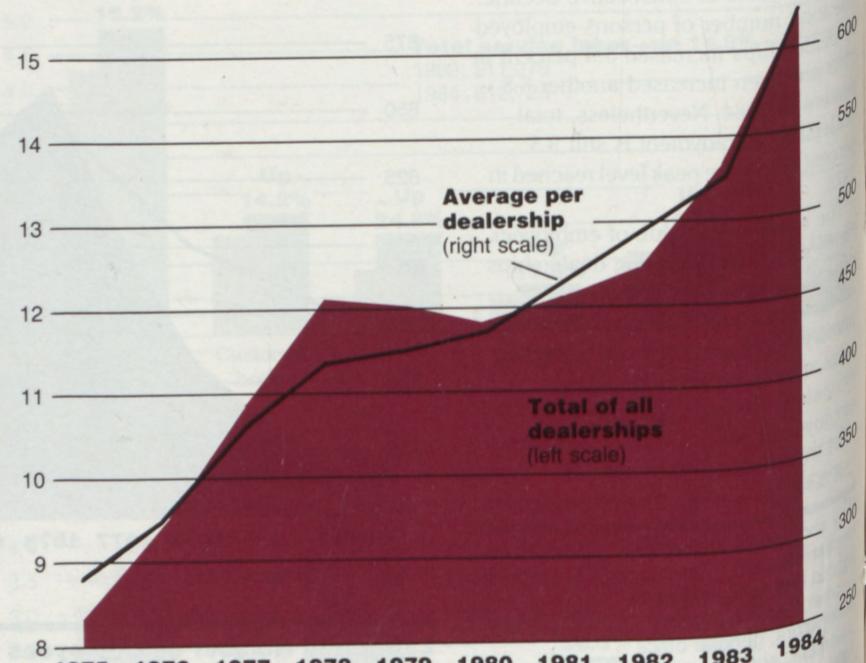
Source: NADA Industry Analysis Division

### Annual Payroll of Franchised New Car Dealerships

Total of all dealerships (in billions)

Average per dealership (in thousands)

\$16



Source: NADA Industry Analysis Division

### Average Weekly Earnings of Franchised New-Car Dealer Employees in 1984

| Alabama       | 337 | Montana           | 326        |
|---------------|-----|-------------------|------------|
| Alaska        | 571 | Nebraska          | 324        |
| Arizona       | 399 | Nevada            | 464        |
| Arkansas      | 317 | New Hampshire     | 350        |
| California    | 447 | New Jersey        | 416        |
| Colorado      | 410 | New Mexico        | 346        |
| Connecticut   | 383 | New York          | 382        |
| Delaware      | 360 | North Carolina    | 339        |
| D.C.          | 422 | North Dakota      | 350        |
| Florida       | 402 | Ohio              | 358        |
| Georgia       | 377 | Oklahoma          | 384        |
| Hawaii        | 363 | Oregon            | 358        |
| Idaho         | 331 | Pennsylvania      | 342        |
| Illinois      | 403 | Rhode Island      | 344        |
| Indiana       | 341 | South Carolina    | 323        |
| Iowa          | 323 | South Dakota      | 313        |
| Kansas        | 345 | Tennessee         | 347        |
| Kentucky      | 321 | Texas             | 410        |
| Louisiana     | 366 | Utah              | 361        |
| Maine         | 320 | Vermont           | 327        |
| Maryland      | 394 | Virginia          | 362        |
| Massachusetts | 369 | Washington        | 404        |
| Michigan      | 397 | West Virginia     | 303        |
| Minnesota     | 366 | Wisconsin         | 353        |
| Mississippi   | 317 | Wyoming           | 346        |
| Missouri      | 369 | <b>TOTAL U.S.</b> | <b>380</b> |

Source: NADA Industry Analysis Division

### Annual Payroll of Franchised New-Car Dealerships 1984 year by state

|               | Total of all dealerships (\$ Millions) | Average per dealership (\$ thousands) | Total of all dealerships (\$ Millions) | Average per dealership (\$ thousands) |
|---------------|--|---------------------------------------|--|---------------------------------------|
| Alabama       | 206                                    | 601                                   | Montana                                | 54                                    |
| Alaska        | 35                                     | 1,252                                 | Nebraska                               | 95                                    |
| Arizona       | 235                                    | 1,210                                 | Nevada                                 | 86                                    |
| Arkansas      | 103                                    | 294                                   | New Hampshire                          | 79                                    |
| California    | 1,936                                  | 1,110                                 | New Jersey                             | 494                                   |
| Colorado      | 275                                    | 973                                   | New Mexico                             | 85                                    |
| Connecticut   | 238                                    | 648                                   | New York                               | 763                                   |
| Delaware      | 45                                     | 644                                   | North Carolina                         | 373                                   |
| D.C.          | 12                                     | 1,311                                 | North Dakota                           | 61                                    |
| Florida       | 897                                    | 1,150                                 | Ohio                                   | 680                                   |
| Georgia       | 420                                    | 704                                   | Oklahoma                               | 259                                   |
| Hawaii        | 51                                     | 883                                   | Oregon                                 | 193                                   |
| Idaho         | 60                                     | 371                                   | Pennsylvania                           | 696                                   |
| Illinois      | 695                                    | 544                                   | Rhode Island                           | 48                                    |
| Indiana       | 307                                    | 487                                   | South Carolina                         | 174                                   |
| Iowa          | 171                                    | 279                                   | South Dakota                           | 47                                    |
| Kansas        | 164                                    | 374                                   | Tennessee                              | 286                                   |
| Kentucky      | 169                                    | 458                                   | Texas                                  | 1,162                                 |
| Louisiana     | 269                                    | 711                                   | Utah                                   | 86                                    |
| Maine         | 70                                     | 356                                   | Vermont                                | 37                                    |
| Maryland      | 362                                    | 999                                   | Virginia                               | 445                                   |
| Massachusetts | 391                                    | 668                                   | Washington                             | 271                                   |
| Michigan      | 649                                    | 730                                   | West Virginia                          | 105                                   |
| Minnesota     | 278                                    | 462                                   | Wisconsin                              | 312                                   |
| Mississippi   | 118                                    | 382                                   | Wyoming                                | 38                                    |
| Missouri      | 323                                    | 509                                   | <b>Total U.S.</b>                      | <b>15,408</b>                         |

Source: NADA Industry Analysis Division

# Education Corner

SALES MEETINGS

NADA Convention Workshop tapes are proving invaluable to dealers across the country. Of the more than 30,000 sold this year, the "BLUE RIBBON" tapes are the most requested and can be purchased for \$69.95 complete with handout materials. Individual tapes sell for \$11.00—package discounts are available. Handout material may also be ordered at the same time.

## GENERAL SESSIONS:

H. Ross Perot  
Chairman of the Board  
Electronic Data Systems Corp.  505-1

Lou Holtz  
Head Football Coach  
University of Minnesota  505-2

## SALES/LEASE:

The Telephone and Your Public Image  
Lou Walls and Clarence Smith, A.T.&T.  
Communications  505-3

Building a Customer Base  
Tom Ehlers, NADA 20 Groups  
Ben Hofheimer, Town & Country Buick-Honda-Isuzu  505-4

Developing a Training Program  
for the Sales Department  
Ernie "Tex" Prichard, Control, Inc.  505-5

Motivating Sales Personnel  
Brad Kerfoot, Private Consultant  505-6

Used Car Reconditioning  
Rick Murray, NADA 20 Groups  
Ken Hilton, East Ford, Inc.  505-7

Used Car Merchandising  
John Kasun, NADA 20 Groups  
Jack Stanko, Herb Gelles Chevrolet  
Bud Greenwood, Greenwood Chevrolet  505-8

Used Car Rentals as Another  
Profit Opportunity  
Don Buhler, Buhler & Bitter Chrysler Plymouth  505-9

Effective Advertising  
Lee Reicheld, Reicheld Corporation  505-10

Purchase vs. Lease: Consumer Trends  
Woody Miller, NADA Dealer Candidate  
Robert Howard, The Chase Manhattan Bank  
Indirect Financial Services  505-11

F & I Management  
Roy Elsie, Automobile Dealer Service  505-12

Any SIX Cassettes... \$65.00 Any TWELVE... \$99.00 COMPLETE SET... \$299.00 Handout Material... \$29.95

EMPLOYEE EDUCATION



## Developing a Merchandising Plan for Leasing

Harold Rockwell, Northwood Institute

505-13

## SERVICE:

### Staffing the Service Department: A Matter of Dealer Conviction

Bob Frawley, NADA Marketing  
Tom Payette, Tom Payette Buick, Inc.  505-14

### Computers in Service: Ready or Not?

Joe Francis, Frontier Chevrolet  505-15

### The Service Writer: The Critical Link

Gene White, Automotive Management, Inc.  505-16

### Service and Parts Ideas from NADA 20 Groups

Bill Gourley, NADA 20 Groups  
Roy Smith, H.P. Smith Ford  
Stuart Martens, Martens Datsun-BMW  505-17

### The Body Shop: Profit or Loss

Bill Belew, Covington Buick  505-18

### Parts Department Management

Jack O'Neill, NADA Service Systems  
Wendell Dockum, Dockum Pontiac  505-19

### Expanding Your Wholesale Parts Business

Jerry Richardson and R. Greg Witt,  
Dub Richardson Ford; Bill Lake and  
Charles McCann, Bill Lake Buick  505-20

### Effective Communication in the Service Lane

Gerard Fisher and Joyce DeHaan,  
Center for Organization Development, Inc.  505-21

## DEALER/EMPLOYEE:

### Commitment: A Two-Way Street

J. Mitchell Perry, Perry Presentations, Inc.  505-22

### Identifying Alcohol and Drug Abuse Within the Work Place

Andrew Berner, National Council on  
Alcoholism of Orange County  505-23

### Time Management for the Busy Executive

John Lee, John Lee Companies  505-24

### An Inside Look at the Family Business

Peter Davis, The Wharton School  505-25

### Controlling Health Benefit Costs

Samuel H. Shriver, Jr., CMI Insurance  
Specialists  505-26

### The State of Your Estate

Grover Lewis, NADA Estate Planning  505-27

## Money Saving Transactions to Save Estate Taxes

Paul West, NADA Estate Planning  505-28

## BUSINESS:

### Building Customer Satisfaction from the Top

Darwin Clark, Buick Motor Division  
Gerald Thiel, American Airlines, Inc.  505-29

### Identifying the Women's Market for Cars

Jack McClure and Eckart Guthe,  
Conde Nast Publications  505-30

### Facilities Planning—Dealership Layout and Design

Roger Berry, R. G. Berry and Associates  505-31

### The Political Action Role of the Dealer

Senator Walter Huddleston, Kentucky  
Dennis Jungmeyer, Arkansas Automobile  
Dealers Assoc.  505-32

### The Dealer of the Future, Session One

J. Ferron, NADA Industry Analysis &  
Dealership Operations  505-33

### The Dealer of the Future, Session Two

Panel same as above, plus new questions and  
answers.  505-34

### Small Computer Options

Larry Dietz, The Alec Group  505-35

### Effective Employee Relations

David Tudor, Sesco, Inc.  505-36

### An Organized Approach to Dealership Valuation

Bob Currie, R.P. Currie & Co., Inc.  505-37

### Legal Workshop: Used Car Rule and Tax Reform Act of 1984 Update

Walter Huizinga and Bob Wade, NADA  
Legal and Regulatory Group  505-38

### Managing Change

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## ADVERTISING/ FRANCHISED DEALERSHIP

In 1984, franchised new-car and truck dealers spent \$2.2 billion on advertising—an increase of 28 percent from 1983. Advertising expenditures as a percent of total sales reached 0.95 percent, its highest level ever.

Throughout the 1980s, the advertising-to-sales ratio has been significantly higher than during the 1970s. In the early 1980s, much of this increase was a result of the decline in total dollar sales growth. The more recent increases have been a result of the shift in the distribution of dealers across volume categories.

(Large-volume dealerships, which now represent a greater share of the total dealership population, have traditionally had higher advertising-to-sales ratios.) Compounding the effect of both these factors has been the strengthening in the positive relationship between advertising intensity and dealership size. Note, for example, that low-volume dealerships actually have lower advertising to sales ratios now than they did during the 1970s.

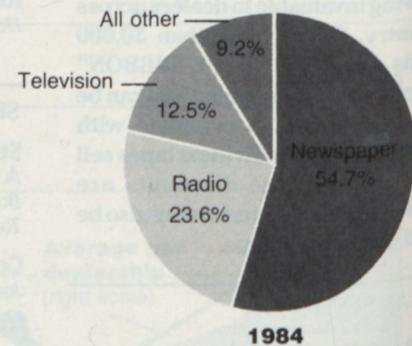
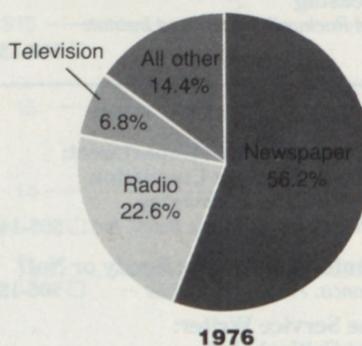
Much of the increase in advertising intensity by large volume dealerships has occurred because of their shift towards a more expensive medium (i.e.—TV). The table at the top right shows that most of the growth in TV advertising by dealers resulted from the increased use of this medium by large dealerships.

### Estimated Advertising Expenses Per Dealer in 1984 Dealers classified by number of new vehicles sold in 1984

| By media used                           | Average<br>of all<br>dealers | 1984            |                 |                 |                  | 750 or<br>more |
|---|------------------------------|-----------------|-----------------|-----------------|------------------|----------------|
|   |                              | 1-149           | 150-399         | 400-749         | 750 or<br>more   |                |
| Newspapers                              | \$48,670                     | \$7,803         | \$24,919        | \$50,691        | \$160,340        |                |
| Radio                                   | 21,975                       | 4,028           | 12,707          | 20,865          | 54,881           |                |
| TV                                      | 9,359                        | 770             | 3,641           | 12,114          | 51,954           |                |
| Direct mail                             | 3,825                        | 685             | 1,889           | 3,803           | 11,386           |                |
| Outdoor                                 | 1,771                        | 332             | 796             | 1,420           | 6,088            |                |
| Programs                                | 815                          | 122             | 478             | 916             | 2,283            |                |
| Handouts & handbills                    | 354                          | 87              | 132             | 137             | 878              |                |
| Displays & demos                        | 1,009                        | 161             | 583             | 1,127           | 2,693            |                |
| Other                                   | 761                          | 251             | 369             | 559             | 2,195            |                |
| <b>Total</b>                            | <b>\$88,539</b>              | <b>\$14,239</b> | <b>\$45,514</b> | <b>\$91,632</b> | <b>\$292,698</b> |                |
| Total advertising as a % of total sales | 0.95%                        | 0.58%           | 0.74%           | 0.80%           | 1.09%            |                |
| Total advertising per new vehicle sold  | \$154                        | \$116           | \$137           | \$145           | \$176            |                |

### Percent of Total Advertising Expenditures

Weighted average of all dealers



| By annual new unit sales group | Newspaper |      | Radio |      | Television |      | All others |      |
|--------------------------------|-----------|------|-------|------|------------|------|------------|------|
|                                | 1976      | 1984 | 1976  | 1984 | 1976       | 1984 | 1976       | 1984 |
| I(0-149)                       | 56.7      | 54.8 | 21.8  | 28.9 | 4.0        | 5.4  | 17.5       | 11.5 |
| II(150-399)                    | 55.7      | 54.8 | 25.7  | 27.9 | 5.3        | 8.0  | 13.3       | 9.3  |
| III(400-749)                   | 55.8      | 55.3 | 22.0  | 22.8 | 10.0       | 13.2 | 12.3       | 8.7  |
| IV(750 or more)                | 53.2      | 54.8 | 19.5  | 18.8 | 14.9       | 17.7 | 12.4       | 8.7  |

### Advertising as a Percent of Total Dollar Sales

|                                | 1984                            | 1983 | 1982 | 1981 | 1980 | 1979 | 1978 |      |
|--------------------------------|---------------------------------|------|------|------|------|------|------|------|
|                                | Weighted average of all dealers | 0.95 | 0.90 | 0.92 | 0.93 | 0.89 | 0.76 | 0.78 |
| By annual new unit sales group |                                 |      |      |      |      |      |      |      |
| I(0-149)                       | 0.58                            | 0.57 | 0.67 | 0.66 | 0.66 | 0.72 | 0.75 | 0.77 |
| II(150-399)                    | 0.74                            | 0.67 | 0.77 | 0.80 | 0.74 | 0.70 | 0.78 | 0.75 |
| III(400-749)                   | 0.80                            | 0.91 | 0.96 | 0.86 | 0.94 | 0.82 | 0.88 | 0.87 |
| IV(750 or more)                | 1.09                            | 1.07 | 1.08 | 1.08 | 1.01 | 0.92 |      |      |

### Local Advertising by Franchised New-Car Dealers

| By media used                    |  |                        |
|----------------------------------|--|------------------------|
| Newspapers                       |  | \$1,204 Million        |
| Radio                            |  | 543 Million            |
| TV                               |  | 231 Million            |
| Direct mail                      |  | 95 Million             |
| Outdoor (billboards, signs)      |  | 44 Million             |
| Programs (theater, sports, etc.) |  | 20 Million             |
| Handouts or handbills            |  | 9 Million              |
| Displays & demos                 |  | 25 Million             |
| Other                            |  | 19 Million             |
| <b>Total</b>                     |  | <b>\$2,190 Million</b> |

### By type of advertising

| By type of advertising |  |                        |
|------------------------|--|------------------------|
| New vehicle            |  | \$1,150 Million        |
| Used vehicle           |  | 613 Million            |
| Institutional          |  | 230 Million            |
| Service                |  | 197 Million            |
| <b>Total</b>           |  | <b>\$2,190 Million</b> |

# CONSUMER CREDIT

As shown in the table below, the average new-car finance rate rose substantially for finance company loans, but fell slightly for loans made by banks. As a result, the spread between finance company and bank loans once again became positive for the first time since 1980.

In 1980, high interest rates were cited as one of the deterrents to new-car sales. But, in 1984, average finance rates were not significantly lower than they were in 1980; yet the recovery in new car sales

continued. The difference is availability. In 1980 and 1981, average new-car finance rates were below the prime rate. Because of this, banks retreated sharply from the new-car loan market. In 1980 and 1981, the dollar amount of automobile paper outstanding at banks actually fell. In 1984, automobile paper outstanding at banks and credit unions rose 27 percent, whereas the outstandings for finance companies rose only 5 percent.

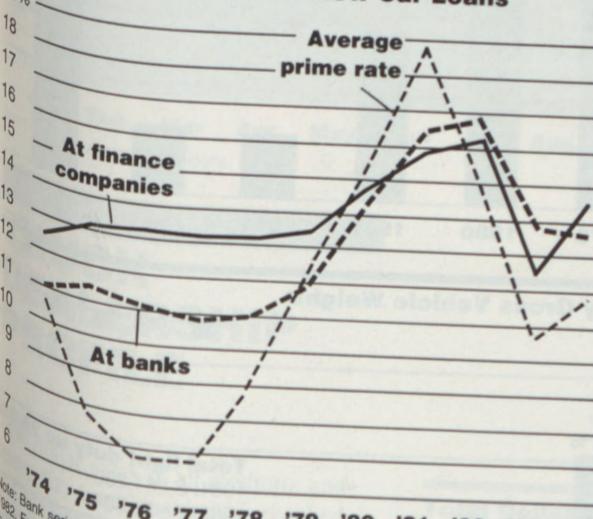
Another important trend in the

automotive credit market in 1984 was the increasing length of new-car loans. The average maturity, in months, of new-car loans made by finance companies is presented below for various time periods.

## Average Maturity of New Car Loans (Finance company loans)

|                |             |
|----------------|-------------|
| 1970           | 34.7 months |
| 1975           | 37.6 months |
| 1980           | 44.7 months |
| 1984           | 48.3 months |
| February, 1985 | 51.4 months |

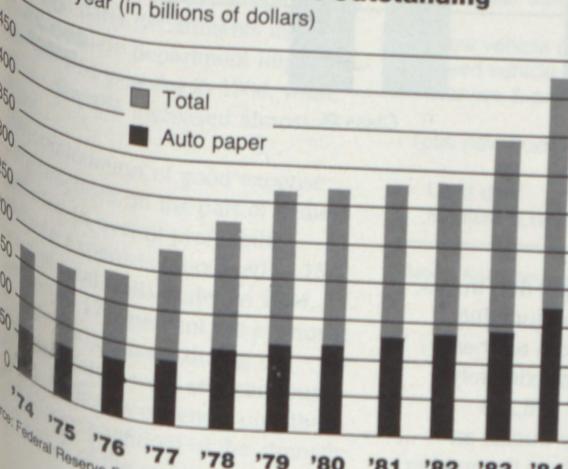
## Average Finance Rate on New Car Loans



Note: Bank series represents an average of direct 36 month loans for the period 1974-1983. For 1983 and 1984, the bank series represents the average of direct 48 month loans. The finance company series represents the average of all loans made.

Source: Federal Reserve Board

## Consumer Installment Credit Outstanding



Source: Federal Reserve Board

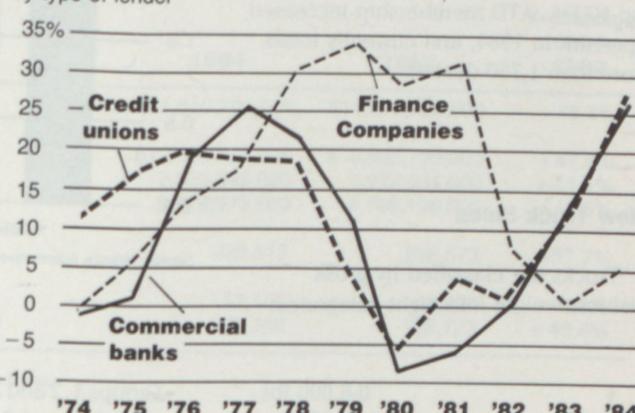
## Automobile Paper Outstanding by Type of Lender (As of end of year, in millions of dollars)

|      | Commercial banks |            | Credit Unions   |            | Finance companies |            | Total     |
|------|------------------|------------|-----------------|------------|-------------------|------------|-----------|
|      | Total \$ amount  | % of total | Total \$ amount | % of total | Total \$ amount   | % of total |           |
| 1974 | \$32,774         | 60.4%      | \$10,869        | 20.0%      | \$10,623          | 19.6%      | \$ 54,266 |
| 1975 | 33,287           | 58.2%      | 12,741          | 22.3%      | 11,214            | 19.6%      | 57,242    |
| 1976 | 39,621           | 58.5%      | 15,238          | 22.5%      | 12,848            | 19.0%      | 67,707    |
| 1977 | 49,577           | 59.8%      | 18,099          | 21.8%      | 15,235            | 18.4%      | 82,911    |
| 1978 | 60,510           | 59.5%      | 21,200          | 20.9%      | 19,937            | 19.6%      | 101,647   |
| 1979 | 67,367           | 57.9%      | 22,244          | 19.1%      | 26,751            | 23.0%      | 116,362   |
| 1980 | 61,536           | 52.7%      | 21,060          | 18.0%      | 34,242            | 29.3%      | 116,838   |
| 1981 | 58,081           | 46.3%      | 21,975          | 17.5%      | 42,275            | 36.1%      | 125,331   |
| 1982 | 58,852           | 45.2%      | 22,596          | 17.4%      | 48,780            | 37.5%      | 130,227   |
| 1983 | 67,557           | 47.4%      | 25,574          | 18.0%      | 49,318            | 34.6%      | 142,449   |
| 1984 | 85,501           | 50.3%      | 32,456          | 19.1%      | 51,994            | 30.6%      | 169,951   |

Source: Federal Reserve Board

## Percentage Change In Automobile Paper Outstanding

By type of lender



Source: Federal Reserve Board

## FRANCHISED NEW TRUCK DEALER

In 1984, the medium- and heavy-duty truck dealer body had a particularly good year. Total medium and heavy-duty truck sales totaled 276,368, a 46.4-percent increase over 1983 sales of 188,700. Combined, these dealers generated over \$21 billion in total dollar sales and contributed to the dramatic recovery that few industry specialists predicted would happen. As 1985 opened, there were an estimated 2,590 medium- and heavy-duty truck dealerships. As shown in the tables, dealerships that are primarily engaged in the sale and service of medium- and heavy-duty trucks differ quite substantially from franchised new-car dealerships. These medium and heavy-duty truck dealerships rely much more heavily on service and parts as well as used-vehicle sales. In 1984, truck dealers obtained almost 41 percent of their total sales dollars from these three departments.

Increasingly, the importance of the trucking industry to the national economy is being realized. Thousands of jobs and billions of dollars are generated by the manufacture, sale and service of medium- and heavy-duty trucks that carry freight. Medium- and heavy-duty franchise holders are represented in Washington and in dealings with their manufacturers by the American Truck Dealers Division (ATD) and NADA. ATD membership increased 9 percent in 1984, and currently totals more than 1,750 dealers.

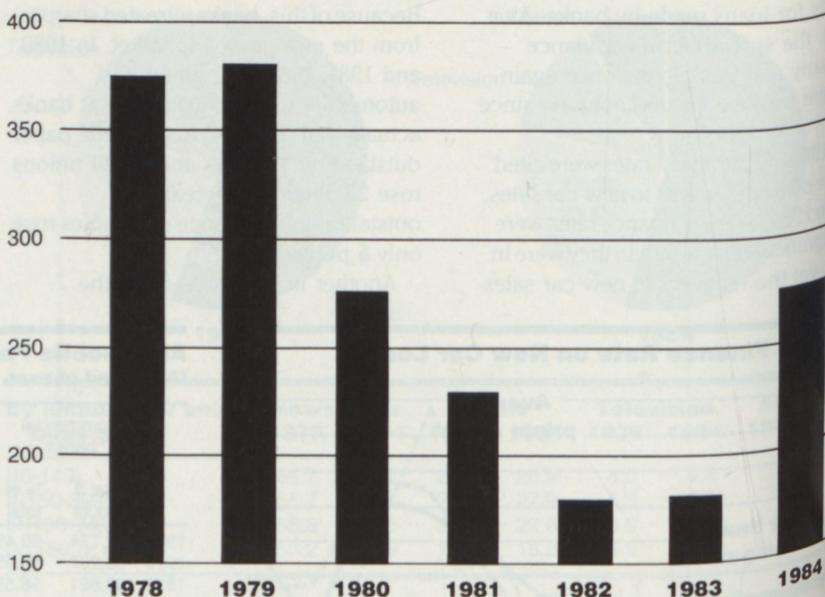
### New Truck Sales

Trucks are classified by gross vehicle weight into eight categories:

|   |                      |
|---|----------------------|
| 1 | 0-6,000 lbs.         |
| 2 | 6,001-10,000 lbs.    |
| 3 | 10,001-14,000 lbs.   |
| 4 | 14,001-16,000 lbs.   |
| 5 | 16,001-19,500 lbs.   |
| 6 | 19,501-26,000 lbs.   |
| 7 | 26,001-33,000 lbs.   |
| 8 | 33,001 lbs. and over |

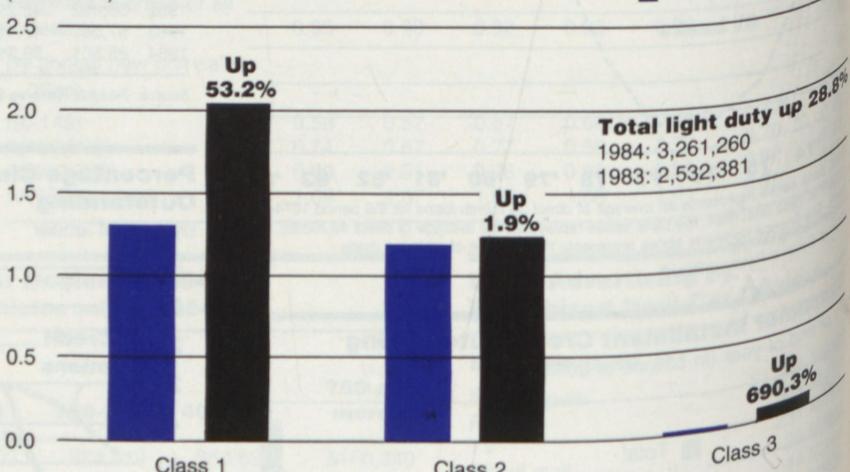
### Medium and Heavy-Duty Trucks Unit Sales

(in thousands)



### New Truck Sales by Gross Vehicle Weight

(in millions)

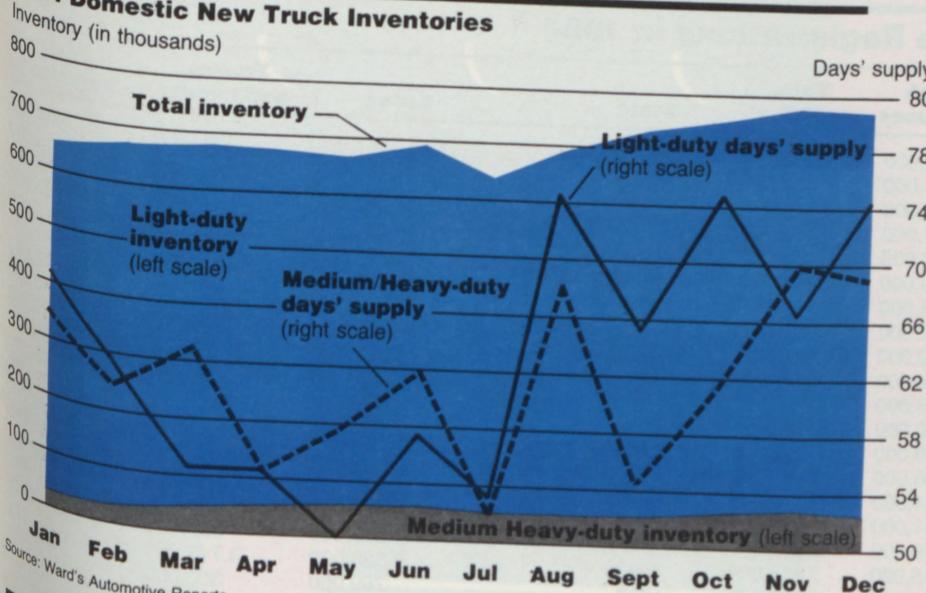


Source: Ward's Automotive Reports

Groups 1, 2 and 3 are light-duty trucks, groups 4, 5 and 6 are medium-duty trucks, and groups 7 and 8 are heavy-duty trucks. In 1984, approximately 2,590 truck dealers sold 276,368 medium- and heavy-duty trucks, an increase of 46.4 percent from the number sold in 1983.

## TRUCK INVENTORIES

### 1984 Domestic New Truck Inventories



Source: Ward's Automotive Reports

## TRUCK DEALERSHIP PROFILE

Total dollar sales of all medium- and heavy-duty truck dealerships reached \$21.5 billion in 1984, up 47 percent from 1983. Although this increase was primarily spurred by the impressive and sustained recovery in new medium- and heavy-duty truck sales, tremendous gains were made in the used-vehicle, and service and parts departments as well. The used-vehicle department improved dollar sales 51 percent in 1984, while service and parts increased almost 43 percent.

The continuation of good expense control practices on the part of dealers contributed to overall profitability. Dealership expenses amounted to 15.4 percent of total dollar sales in 1984, compared to 17.1 percent the previous year. After cutting back during the recession, dealers were still cautious about incurring new expenses until they became more confident of the strength and duration of the recovery.

### Total Dollar and New Unit Sales of Medium and Heavy Duty Truck Dealerships

|                       | 1984             | 1983             | % Change<br>1984-<br>1983 |
|-----------------------|------------------|------------------|---------------------------|
| Total dollar sales    | \$21,510,702,000 | \$14,672,023,000 | + 46.6%                   |
| New vehicle dept.     | \$12,626,782,000 | \$ 8,553,790,000 | + 47.6%                   |
| Used vehicle dept.    | 2,903,945,000    | 1,922,034,000    | + 51.1%                   |
| Service & parts dept. | 5,979,975,000    | 4,196,199,000    | + 42.5%                   |
| Total new truck sales | 328,518          | 238,573          | + 37.7%                   |
| Light duty            | 52,150           | 49,850           | + 4.6%                    |
| Medium & heavy duty   | 276,368          | 188,723          | + 46.4%                   |

Source: NADA Industry Analysis Division

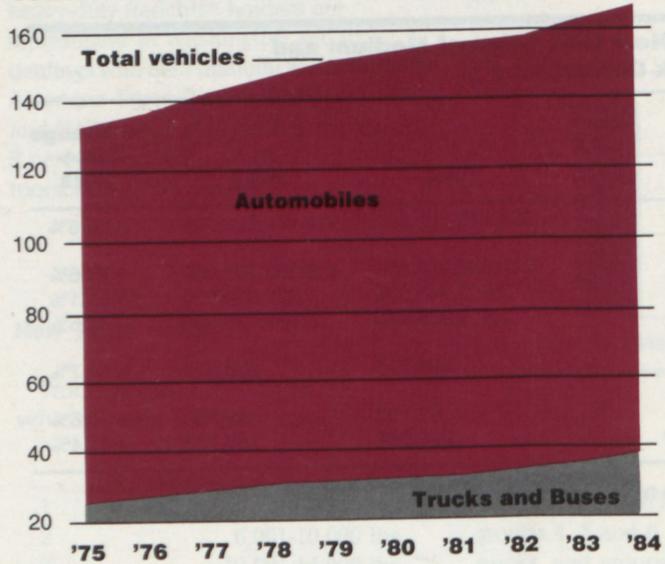
# TOTAL REGISTRATIONS

## Total U.S. Motor Vehicle Registrations in 1984

| State         | Autos      | Truck and buses | Total vehicles* | State             | Autos              | Trucks and buses  | Total vehicles*    |
|---------------|------------|-----------------|-----------------|-------------------|--------------------|-------------------|--------------------|
| Alabama       | 2,317,000  | 893,000         | 3,210,000       | Montana           | 526,000            | 368,000           | 894,000            |
| Alaska        | 234,000    | 144,000         | 378,000         | Nebraska          | 828,000            | 427,000           | 1,255,000          |
| Arizona       | 1,682,000  | 675,000         | 2,357,000       | Nevada            | 542,000            | 213,000           | 755,000            |
| Arkansas      | 927,000    | 501,000         | 1,428,000       | New Hampshire     | 712,000            | 118,000           | 830,000            |
| California    | 14,730,000 | 4,140,000       | 18,870,000      | New Jersey        | 4,438,000          | 535,000           | 4,973,000          |
| Colorado      | 2,020,000  | 759,000         | 2,779,000       | New Mexico        | 819,000            | 462,000           | 1,281,000          |
| Connecticut   | 2,185,000  | 155,000         | 2,340,000       | New York          | 7,585,000          | 1,087,000         | 8,672,000          |
| Delaware      | 361,000    | 92,000          | 453,000         | North Carolina    | 3,543,000          | 1,147,000         | 4,690,000          |
| D.C.          | 215,000    | 19,000          | 234,000         | North Dakota      | 396,000            | 280,000           | 676,000            |
| Florida       | 7,682,000  | 1,866,000       | 9,548,000       | Ohio              | 6,520,000          | 1,349,000         | 7,869,000          |
| Georgia       | 3,202,000  | 1,096,000       | 4,298,000       | Oklahoma          | 1,745,000          | 1,030,000         | 2,775,000          |
| Hawaii        | 573,000    | 60,000          | 633,000         | Oregon            | 1,486,000          | 667,000           | 2,153,000          |
| Idaho         | 530,000    | 359,000         | 889,000         | Pennsylvania      | 5,868,000          | 1,110,000         | 6,978,000          |
| Illinois      | 6,002,000  | 1,705,000       | 7,707,000       | Rhode Island      | 524,000            | 81,000            | 605,000            |
| Indiana       | 2,850,000  | 994,000         | 3,844,000       | South Carolina    | 1,646,000          | 502,000           | 2,148,000          |
| Iowa          | 1,780,000  | 751,000         | 2,531,000       | South Dakota      | 399,000            | 242,000           | 641,000            |
| Kansas        | 1,423,000  | 649,000         | 2,072,000       | Tennessee         | 2,999,000          | 650,000           | 3,649,000          |
| Kentucky      | 1,816,000  | 816,000         | 2,632,000       | Texas             | 8,328,000          | 3,713,000         | 12,041,000         |
| Louisiana     | 2,037,000  | 872,000         | 2,909,000       | Utah              | 769,000            | 350,000           | 1,119,000          |
| Maine         | 583,000    | 207,000         | 790,000         | Vermont           | 298,000            | 88,000            | 386,000            |
| Maryland      | 2,675,000  | 517,000         | 3,192,000       | Virginia          | 3,405,000          | 580,000           | 3,985,000          |
| Massachusetts | 3,401,000  | 467,000         | 3,868,000       | Washington        | 2,407,000          | 994,000           | 3,401,000          |
| Michigan      | 5,038,000  | 1,291,000       | 6,329,000       | West Virginia     | 925,000            | 401,000           | 1,326,000          |
| Minnesota     | 2,448,000  | 915,000         | 3,363,000       | Wisconsin         | 2,597,000          | 717,000           | 3,314,000          |
| Mississippi   | 1,192,000  | 373,000         | 1,565,000       | Wyoming           | 292,000            | 220,000           | 512,000            |
| Missouri      | 2,553,000  | 907,000         | 3,460,000       | <b>Total U.S.</b> | <b>130,053,000</b> | <b>38,554,000</b> | <b>168,607,000</b> |

\*Total vehicle excludes motorcycles (5,618,000) Source: U.S. Department of Transportation, Federal Highway Administration

## Total U.S. Motor Vehicle Registrations



# AFTERMARKET/ ACCESSORIES



AFTERMARKET/  
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## AFTERMARKET/ACCESSORIES



**The original equipment manufacturers are trying many different tactics to get the do-it-yourselfer out of the malls and back into the dealership to buy parts and accessories.**

By Ted Orme

## STRIKING BACK AT THE MASS MERCHANDISERS

Like fat ties and double-breasted suits, the automotive aftermarket runs in cycles. There was a time when practically the only place to buy a part or accessory for your car was the dealer. Now it seems like every drug and grocery store stocks parts, and the auto dealer is often the last place motorists think to go for an oil filter or spark plug, much less an appearance or convenience item. But that's changing. The recession of the early '80s shrank profits from new-car sales and sent dealers scurrying to find new profit centers. They found many. An August 1983 *Automotive News* survey at the end of 1983 showed half of all dealers generating up to one-fifth of their profits through extras, and four out of 10 dealers made

21 to 40 percent of their profits this way.

A most pleasant discovery was an untapped motherlode of aftermarket parts and accessories profit. Untapped by dealers, that is. Thousands of retail companies of all descriptions had quickly capitalized on a tremendous resurgence of do-it-yourselfers during the recession and were happily feeding off an annual \$22-billion pie, while auto dealers, still suffering a lousy image in the areas of pricing, convenience and handling, sat grumbling on the sidelines.

But increasingly, manufacturers and dealers are growing tired of seeing new-car and truck buyers go to the mass merchandiser around the corner to buy everything from a can of wax to a super sound

system, and they are striking back. As *Advertising Age* points out, "Hungry for increased profits and looking to keep in touch with car owners, the original equipment manufacturer is trying everything from free oil changes to full-size parts boutiques in an effort to get the do-it-yourselfers out of the malls and department stores and back into the local dealership service department."

General Motors has its Mr. Goodwrench program, American Motors has boosted parts sales with its Dealers Choice program. And Chrysler does 10 direct mailings a year and gives its dealers help with local advertising costs. But Ford may have taken the most aggressive approach of all. After a successful pilot program in five markets, the Ford Parts and Service Division is expanding its Parts Store program to 160 dealerships this year.

The Ford Parts Store copies the mass

merchandisers' methods and motif, employing retail specialists to develop the latest techniques in packaging, display, inventory and training in bright and cheery facilities designed to be irresistible to the do-it-yourselfer and impulse buyer. To provide an edge over the retail competition, Ford Parts Stores trade on the theme "Expert Advice for the Asking."

"People will buy a lot of things they can see," says Kess Evans, general manager for Bill Currie Ford in Tampa, FL, site of one of the first Ford Parts Stores. Currie Ford faced problems most dealership parts departments share: a big counter that separated customers from bins of parts hidden in the rear, and employees geared to wholesale business, not retail. Installation of a Ford Parts Store, with brightly lit row after row of parts and accessories conveniently—and scientifically—displayed changed all that.

"Before, a customer would come in and buy a tune-up kit and leave," says Evans. "Now, he may also buy an oil filter, oil or something else that catches his eye that he had no mind to buy when he came in. We have made big inroads into business we normally wouldn't have."

Evans and most other dealers who have set up Ford Parts stores also report the added benefit of increased wholesale parts and service business, as well as a big boost in their image. And, maybe most importantly, "It is a great sales tool for our salespeople," Evans points out.

But domestic new-car dealers are not the only ones to discover the marvels of retailing. A number of import manufacturers are encouraging dealers to expand their parts and accessory operations into boutiques offering everything from marque jewelry to designer apparel.

"Who says a dealer's parts and service operations have to be blah and cold," asks Irv Sanderson, owner of Boulevard Imports (Datsun, Saab) in Richmond, VA, an enthusiastic retailer. Sanderson painted his service department with striking red and blue supergraphics and remodeled his customer lounge into a parts boutique. Lining the walls are big glass displays of all kinds of Saab and Nissan

**"The competition between OE and aftermarket manufacturers is healthy for the industry. In the end it will produce higher quality, more price competitive goods and services and stronger, more reliable and reputable aftermarket suppliers. And, the experts predict, there will be plenty of business for everyone."**

accessories, including umbrellas, model cars and even cologne. "All the stuff that used to gather dust in the back," he chuckles. "Now we can't keep it in stock."

In an era of renewed performance and high style, customizing is another idea whose time has come. As many a custom accessory manufacturer or distributor will tell you, dealers can easily add \$300 to \$500 to their gross on select models with such simple add-ons as pinstripes, driving lights, splash guards and side moulding. Really "tricked-up" cars—featuring T-tops or sun roofs, air dams, spoilers, special paint, custom wheels, etc.—can bring in as much as \$2,500 to \$4,000 additional profit. Some successful dealers in this area attribute 4 to 5 percent of total sales to accessories.

The dressed-up car not only sells itself quickly, it also sells a lot of aftermarket accessories to customers who see the item on the car and then order a la carte from what they see. Dealers who display a wide range of convenience and appearance accessories on showroom models report great success.

The Specialty Equipment Market Association (SEMA) further points out that buying these items from manufacturers, local jobbers or wholesalers, all of whom now have programs specially tailored to auto dealers, offers dealers more inventory flexibility and a wider range of options, usually at higher profit than OE accessories. And aftermarket firms now realize the importance of brand awareness in a highly competitive market, so dealers can also expect advertising and

promotional support for these products.

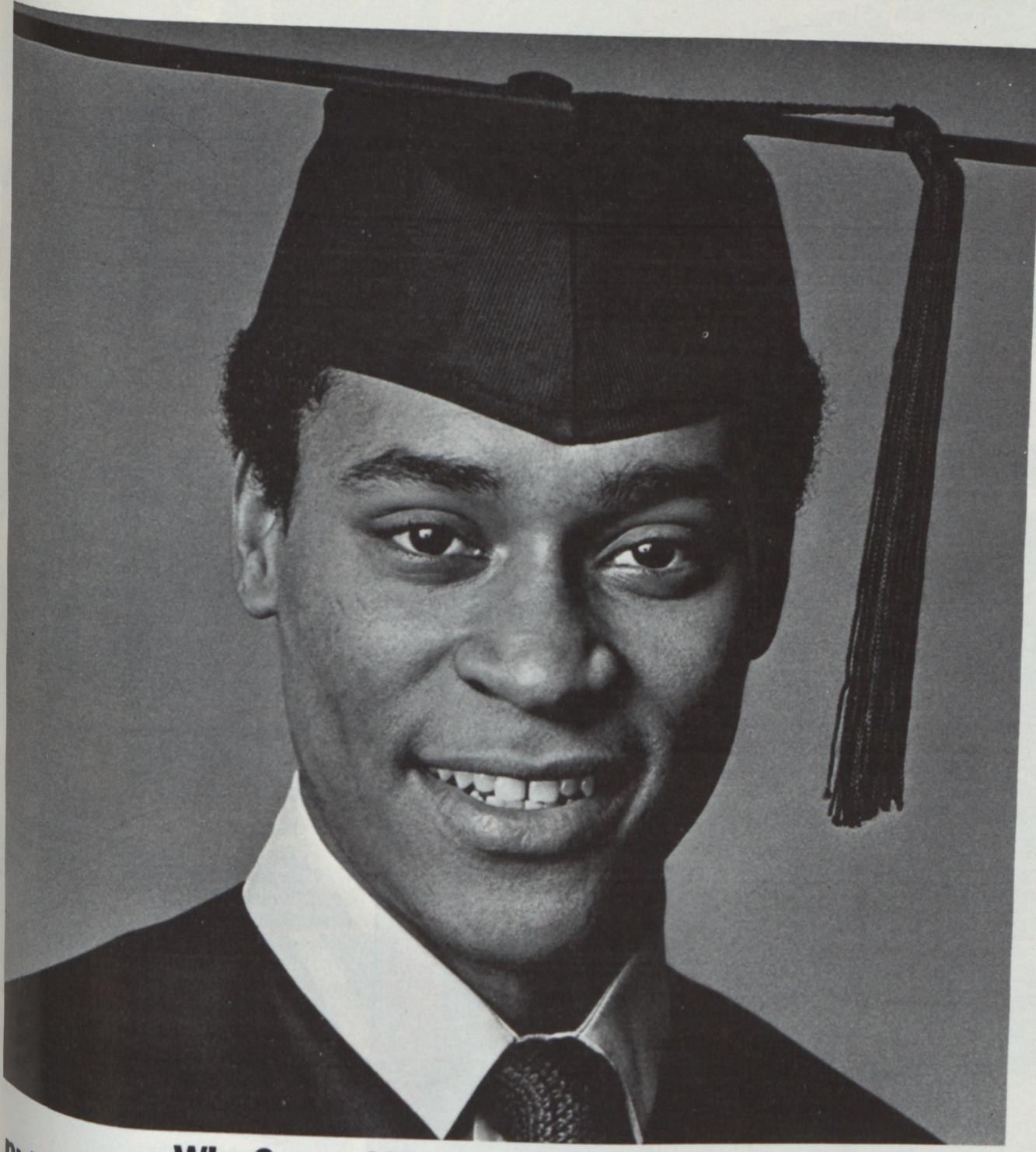
Most auto industry analysts agree the competition between OE and aftermarket manufacturers is healthy for the industry. In the end it will produce higher quality, more price-competitive goods and services and stronger, more reliable and reputable aftermarket suppliers. And, the experts predict, there will still be plenty of business for everyone.

As we pointed out in last month's *Automotive Executive*, a new study by Venture Development Corp. (VDC) shows the auto sound industry—which is feeling the greatest heat from automakers—reaching a record \$2.2 billion in 1985, with \$3.4 billion predicted by 1990! "As both automakers and aftermarket suppliers increase sales of higher quality products with more feature-laden components, auto sound revenues are growing faster than system shipments, a rare trend for a consumer electronics product," VDC comments.

And then there are the new products, particularly in electronics. Good examples are the rapid growth of the car security and cellular telephone markets. Some 80 aftermarket firms are now involved in an estimated \$200-million-a-year security market. With more and more insurance companies offering discounts to car owners with security devices, and with auto manufacturers threatening to enter this lucrative arena—which the industry says will increase exposure and, thus, business—predictions are the industry will expand by as much as 30 percent a year.

However, other trends in the aftermarket raise serious questions for auto dealers. The evolution of engineering and technology, which has produced some startling new products and made cars far more sophisticated, is also expected to put a serious crimp in the do-it-yourself market. Auto manufacturers have already eliminated many maintenance operations, and the future will see more go-the-way-of ignition points and condensers.

Fortunately, this trend is offset by better diagnostic and service-warning devices in the car which alert the consumer to the need for service, and by more aggressive



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**Ad  
Council**

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sive efforts by dealers and manufacturers to keep customers coming back for service, as well as parts and accessories.

All things considered, the automotive aftermarket is a robust and realistic business opportunity for dealers. The watch-

words here, of course, are caution and commitment. But for dealers who exercise both, the profits are very real.

*Ted Orme is a contributing features writer for Automotive Executive magazine.*

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**BUYERS GUIDE**

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Behr of America Inc.  
Chrysler Corp./Service and Parts Division  
Danhard Inc.  
Frigette Corp.  
Pompano Manufacturing Corp.  
Wright Carriage Co.  
Vernco Corp.  
Ziebart Corp.

**Auto Alarm Systems**

Audiovox Corp.  
Automotive Security Products Inc.  
Auto Page Inc.  
Campbell Co.  
CarFinder/Design Tech International Inc.  
Clifford Electronics Inc.  
LaVanture Products Co.  
Leisure Time Marketing Inc.  
Maxi-Guard of America  
Nationwide Ultra Seal Inc.  
Optronics Inc.  
Pana-Pacific Corp.  
Precision Controls Division/Dana Corp.  
The Protector Corp.  
Stahl Automotive Accessories Inc.  
Theft-Shield International  
Trilogy Dealer Services Inc.  
Ultrason International Inc.

**Cellular Phones**

ARA Manufacturing Co.  
Advanced Cellular Systems



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Blaupunkt Division/Robert Bosch Corp.  
E. F. Johnson Co.  
Pana-Pacific Corp.  
Panasonic Industrial Co.  
Walker Telecommunications Corp.

#### Convertible Tops

Amco Manufacturing Corp.  
American Custom Coachworks Ltd.  
American Sunroof Co.  
Auto Dyne  
Auto Sun Roofs Inc.  
Burke Upholstery Co.  
Cars & Concepts Inc.  
Columbia Motors Inc.  
E & G Classics Inc.  
R. S. Harper Inc. Custom Coachbuilders  
The Hess & Eisenhardt Co.  
Prestige Products Corp.  
R & J Corvette Parts Inc.  
Roman Chariot Inc.  
Seat Cover Charlie  
Wilco Sales Corp.

#### Cruise Controls

ARA Manufacturing  
All-Weather Protectors  
Chrysler Corp./Service and Parts Division  
Pana-Pacific Corp.  
Precision Controls Division/Dana Corp.  
The Protector Corp.  
Seat Cover Charlie  
Stahl Automotive Accessories Inc.

#### Exterior-Interior Dress Up/Restyling

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Auto-Magnetics Inc.  
Auto Sun Roof Inc.  
Benmatt Industries Inc.  
California Step Side Manufacturing Inc.  
California Touring Coach Co.  
Carecraft Industries Ltd.  
Chastain Inc.  
Custom Trim Products  
Dason Auto Concepts Inc.  
Deep Seal International  
E & G Classics Inc.  
Electrodyne Inc.  
The Exciters Inc.  
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Goshen Cushion  
Hollywood Trim  
Incline Enterprises  
IAS Autec  
J-Mark  
Kaminari Design Inc.  
Komfort Koach Inc.  
LaVanture Products Co.  
Leteron  
Luverne Truck Equipment Inc.  
OGA International  
Optronics Inc.  
Pompano Manufacturing Corp.  
Prestige Products Corp.  
Prostripe Division/Spartan Plastics Inc.  
RCP Co.  
R & J Corvette Parts Inc.  
Roman Chariot Inc.  
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Sikkens Car Refinishes  
Stahl Automotive Accessories Inc.  
Status Designs Inc.  
TST-Total Systems Technology Inc.  
Trim-Line Inc.  
Unique Vans Inc.  
Wilco Sales Corp.  
Ziebart Corp.

#### Miscellaneous

Able Enterprises Inc.  
Automated Doors & Controls  
C&S Associates  
Gentex Corp.

#### Sunroofs/Moonroofs

All-Weather Protectors  
Anaheim Industries/dba Anaheim Vans  
American Sunroof Co.  
Auto Sun Roof Inc.  
California Step Side Manufacturing Inc.  
Cars & Concepts Inc.  
Chastain Inc.  
Coach-Lite Supply Co.  
Dason Auto Concepts Inc.  
R. S. Harper Inc. Custom Coachbuilders  
Kenco Engineering  
Leisure Time Marketing  
Marketing Resources Co.  
The Protector Corp.  
R & J Corvette Parts Inc.  
Roman Chariot Inc.  
Sky-Top Sunroofs Ltd.  
Trim-Line Inc.

Unique Vans Inc.  
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Ziebart Corp.

#### Auto Sound

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Cerwin-Vega!  
Chrysler Corp./Service and Parts Division  
Custom Auto Distributors  
Ford Motor Co./Audio Products Group  
LaVanture Products Inc.  
Leisure Time Marketing Inc.  
Pana-Pacific Corp.  
Pompano Manufacturing Corp.  
Progressive Concepts Inc.  
Riverpark Distributors  
Signaltone-Neiman Inc.  
Technical Methods Inc.  
Travel Music of San Antonio Inc.

#### Tires

ACRA Custom Wheel  
BF Goodrich  
Prestige Products Corp.  
Uniroyal

#### Truck Bed Liners

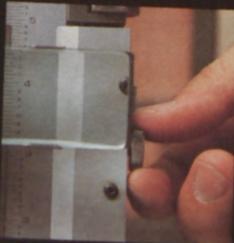
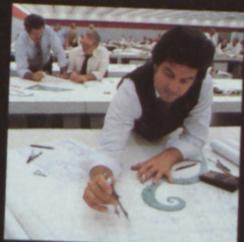
Anaheim Industries/dba Anaheim Vans  
Coach-Lite Supply Co.  
Durakon Industries  
Easco Inc.  
J-Mark  
JSM Auto Services Inc.  
Kenco Engineering  
Luverne Truck Equipment Inc.  
Nationwide Ultra Seal Inc.  
Truco Inc.

#### Wheels

ACRA Custom Wheel  
Advanced Creations Inc.  
Dayton Wheel Product Co. Inc.  
Electrodyne Inc.  
Faza  
Kaminari Design Inc.  
LaVanture Products Co.  
Prestige Products Corp.  
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Control of how our sunroofs are made and control of how they're installed assure a higher degree of quality in every ASC open-air system. And because product quality is our first concern—from initial engineering drawings to when your customer drives away in a new sunroof-equipped vehicle—it never has to be a concern of yours.

#### Quality Engineering

ASC sunroofs are engineered to the highest stan-

dards of reliability, fit and finish, and water-tightness. Tolerances are checked and checked again. And every sunroof design is subjected to stringent environmental and durability testing to assure lasting customer satisfaction.

**Quality Installation**  
The second part of our quality-assurance process is personally handled by ASC's network of installing associates. Throughout North America, our experi-

enced installers give dealers prompt, professional installation and service.

#### Quality Product

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Quality is control—both in manufacture and in installation. That's why you can offer your customers the 'Sunsational' feeling of open-air driving with complete confidence; you should expect nothing less from the company that is the number-one name in sunroofs.

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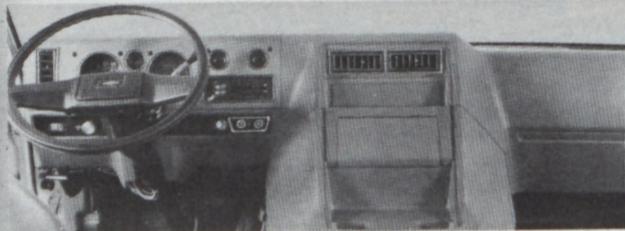


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## WHEN YOU'RE ON THE RUN WE'LL KEEP YOU COMFORTABLE

Driving in Florida, Arizona, Michigan or Minnesota Vern-Air products keep you comfortably cool in the heat or snuggly warm when the temperatures drop to zero. Not only in the front of the vehicle, but also in the back.



easily accessible to the driver. Our system is designed with the installer in mind - takes less time than competitive models.

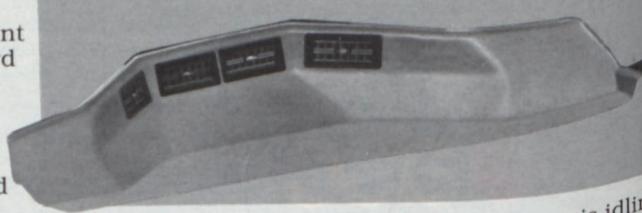
### Air Conditioning System for Chevrolet & GMC Vans

This Vern-Air system fits Chevrolet and G.M.C. van models from 1978 to 1984. The system installs behind the dash to give factory air appearance to your unit. Finger tip thermostat and blower switch controls are

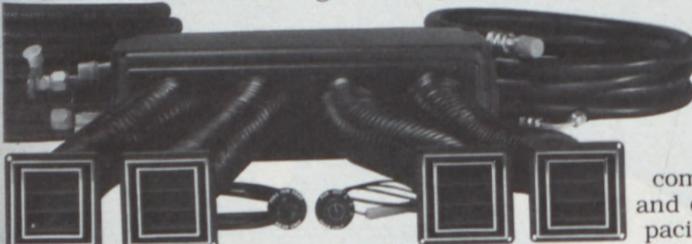
### Ceiling Mount Heat / Cool System for Sports Vans and Campers

Vern-Air's Ceiling Mount System fits Chevrolet, Ford and Dodge vans, cover panel fits with minimum amount of trimming. Our system features a positive flow vacuum operated "H" valve controlled by an electric toggle switch allowing the unit to heat or cool while the engine is idling. The "H" valve also allows the system to be hooked in series with the original heater, thereby reducing the number of connections, T-fittings and chance of leaks.

Cover panel is available in beige, grey, black, or can be painted to match automotive interiors. Accessories, lights and speakers can also be mounted in this panel.



### Complete Auxiliary Heat / Cool System for Sports Vans and Campers.



cooling system is adequate, the system simply cannot generate a sufficient volume of conditioned air. What it can generate doesn't go where it's needed. Vern-Air solves that problem by putting an additional, separately controllable source of conditioned air where it's needed most - at the rear of the vehicle. Our system operates from your existing lines saving you the expense of total duplicate systems. Our goal is total environmental control, both heating and cooling, throughout the entire vehicle.

Vern-Air and Mark IV products are manufactured by Vernco Corporation, a recognized leader in the field of air handling technology, and a major supplier of air handling equipment to the nations largest automotive and consumer products corporations. Vern-Air and Mark IV products are supported by a nationwide network of Distributors, Service Centers and Dealers who along with our unparalleled product quality are responsible for having maintained our good name for more than fifty years.



Other Vern-Air and Mark IV  
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- Truck/Sleeper Heat/Cool System
- Slimline • UltraKool Roof Air
- Class A Vehicular Heat/Cool/Defrost System
- Allegro • Monitor • Escort

# VERN-AIR™

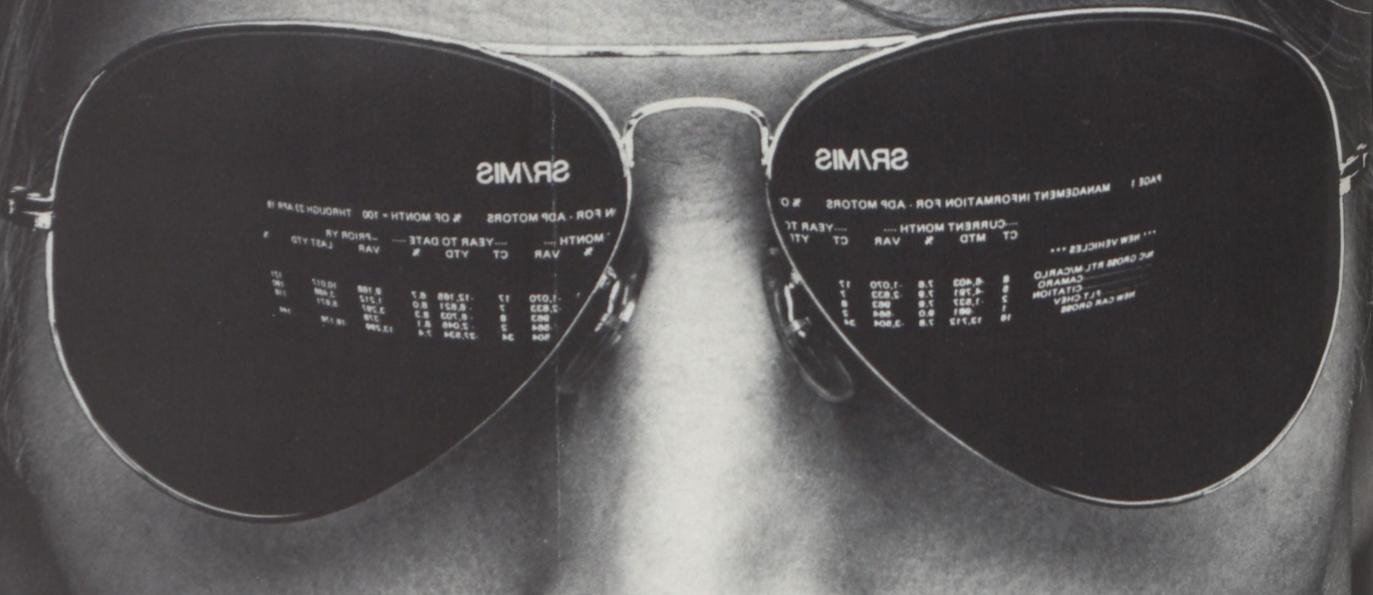
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# BUSINESS SERVICES



BUSINESS  
SERVICES

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## BUSINESS SERVICES



**No dealer can afford to sit back and wait for customers to come through the door. With the right tools, prospects can be identified, attracted and turned into sales.**

## STRONG ADVERTISING SELLS MORE THAN DEALER'S NAME

Many dealers believe they are qualified advertising experts," says Lee Reicheld, owner of Reicheld Corp./Lee Alan Productions in Detroit, MI. "Though they rely on accountants and lawyers to provide professional advice, most dealers try to handle advertising themselves."

Reicheld asserts that by "handling it themselves," dealers lose millions of dollars in wasted advertising.

"For the single-point dealership, advertising is the most important business activity," Reicheld says. "Single dealerships spent \$1.6 billion in advertising in 1983. Of that, \$900 million was spent in newspapers, \$137 million on radio and the rest on television and direct mail.

"About 80 percent of that money was misdirected."

### Establishing The Focus

As long as there have been car dealers, there has been dealership advertising. Over the years, sound and successful advertising theories have evolved that, if followed, consistently bring in customers.

"It's been said that all you have to do is spend enough money and say your name enough times and you'll get business," says Reicheld, who has worked in dealership advertising for 15 years. "Well, I can say from experience that it's possible through poor advertising to unsell yourself."

Reicheld believes that most dealership advertising problems derive from a failure to correctly focus advertising.

"In the dealership, no matter what type of car is sold, the product is not the car, it is the dealer and the dealership," he asserts. "It's the dealer's job to advertise himself."

In a market where there may be several dozen dealers and several dealers in the same line, a dealership's advertising has to set the dealer apart, making his name and location known. But every dealer tries to do that. And everybody wants to win, because winning means customers.

"You can spend millions on facilities, service, people and everything else," Reicheld says, "but nothing happens in a dealership until customers come through the front door."

### Name, Location, Bargain

A successful advertisement contains

three vital components—the dealership's name, location and the general positive impression of a bargain. These three components must be the essence of any dealer message. Bringing them together successfully, however, is not as easy as it may seem.

"Most dealers think that because they've been in business for so many years that everybody knows their name," Reicheld says. "But within two miles of their dealership, probably 30 or 40 percent of the people don't know they're there. Or if they know they're there, they don't know the name. The dealership's name is the most important essential in advertising. The dealer has to get his name across to the public so it becomes a household word."

Communicating the dealership's location is another essential, according to Reicheld. "I could live less than two miles from a dealership, but if I don't know exactly where it is, it's not convenient," Reicheld says. "A dealer can sell cars to people 30 or 40 miles away if they know right where he is."

The final component to good advertising is giving a general, positive impression of a bargain. This is perhaps the most difficult aspect of advertising. Reicheld believes it is necessary to create an impression of honesty, responsibility, fairness, understanding and of offering at least as good a deal as the competing dealerships. If customers believe they will be treated fairly, they are more likely to remember the dealership's name and location than if they are attracted to an advertised price. In fact, according to Reicheld, price advertising is often not recommended.

"What type of traffic does a dealer attract when he advertises \$99 down/\$99 a month?" Reicheld asks. "In general, he attracts unqualified credit risks. So when he looks at his closing ratio and it's one in 20 when it should be one in five or better, he can blame that on the impossibility of clearing those customers."

#### Making It Stick

More than in almost any other industry, automobile consumers come into the

## "A successful ad has three components: the dealership's name, location and the positive impression of a bargain."

market on an impulse. Either through hearing corporate advertising or seeing a car they like on the street, they decide to come into the market. Their first thought upon deciding to buy a car is, "Where can I go to see this car?"

"And if the name of the dealership, the location of the dealership and the general impression of a bargain at the dealership don't pop into those customers' minds, that customer is lost," Reicheld says. "Every dollar spent on advertising goes down the tube."

Good advertising gets the dealer's name, location and suggestion of a bargain in the customer's mind and keeps it there. To do this, Reicheld asserts, advertising must take one or more of three tones: be humorous, interesting and/or entertaining.

Advertisements ask people to listen, whether on the radio, TV or in the newspaper. But commercials are an interruption. People don't watch TV or listen to the radio to see or hear commercials. Unless given a good reason not to, they will tune them out or turn the channel.

"You have to make a good commercial," Reicheld says. "You have to cut through the clutter. You have to say it better, psychologically louder and stronger than anybody else."

Reicheld recommends several often-used but successful ways to grab consumers' attention.

"Develop a theme," he says. "Any dealer would love to have a theme that everybody knows."

The theme should be used in all advertising, and all media. That consistency enables people to identify the dealership merely by the theme.

One of the best identifiers is music. Music triggers the memory. By developing a set of notes that are used in every commercial, by never going on the radio or television without playing that same music, the dealership's name will be easier to identify. Any time listeners hear those notes, they will automatically think of the dealership.

#### Quality Pays Off

Putting together a good, strong, consistent advertising campaign requires a significant investment in time, effort and money. It cannot be created and sustained in a monthly meeting using funds left over from some other part of the budget. If a dealer wants to convince customers to come through his doors, he has to show, both in the quality of his advertising and in the quality of his message, that his dealership is the best.

Before buying space and time to advertise, the dealer has to decide what he wants to say and how to say it. Either by brainstorming among his department heads or by hiring an outside consultant, such as Reicheld, he must determine his message. Central to that message should be conveying to the consumer the dealership's name, location and the general impression of a bargain. Then the dealership must make the message consistent in all media. And before any part of the program goes out the front door, the entire program should be planned.

A good advertising campaign costs money, but not necessarily more than dealers currently spend. By establishing a controlled, directed campaign, the dealer will get more value out of each advertising dollar.

Reicheld recommends using a projected production unit basis of budgeting for advertising.

"For example, a dealer decides to spend \$100 per car on advertising each month. He projects sales of 100 cars in February, so his February ad budget will be 100 cars at \$100 each or \$10,000. Now near the end of February, he projects selling 90 cars in March, so the ad budget will be \$9,000. But at the end of February, he finds that despite spending \$10,000 in advertising, he sold only 90 cars. So for March, he is still going to have to sell 90 cars but his \$9,000 monthly ad budget is going to have to absorb the \$1,000 that was overspent in February. In effect, he will have to sell 90 cars in March on an \$8,000 ad budget."

"Dealers will never overspend their advertising budget if they project it this way," he says.

# Sure, You Believe Your Salespeople Could Sell Fishing Rods In The Desert- BUT COULD THEY?



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**Invitational Promotions, Inc.**

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Circle #32 on Reader Service Card

**Fine Tuning the Campaign**

Reicheld also points out that there is no need to advertise the different departments in the store. He says every consumer knows that new-car dealers have a service department, a parts department and a body shop.

"How does the dealer promote these services? By promoting his good name, his location and the suggestion of a bargain. And by doing it month in and month out on a consistent basis. So when the public is in the market for one of his

products, they come to him."

What happens, however, when cyclical downturns in the market hit? What should a dealer do about advertising?

"When business is bad and the market is not there, I'm not going to recommend advertising," Reicheld says. "But when business is good, dealers should pour the coal to it. And if business is poor at one dealership and great at others, that dealer should pour the coal to his advertising and find out what's wrong."

"Advertising is the same in any busi-

ness," Reicheld concludes. "It has the same purpose—to get bodies through the front door of the store. Advertising won't sell cars. It won't sell anything. But it will bring the people to the dealer so he can do what he does best—sell."

*Based on a workshop presentation at the 1985 NADA Convention. Edited by Gerry Donohue.*

## Nifty Ideas

**1** **Hotline.** Install an unlisted telephone number (which is not usable for outgoing calls) for the sole purpose of evaluating your advertising. The cost is low, and it is an almost surefire method of analyzing how many inquiries are produced by what media.

**2** **Reverse advertising.** Instead of advertising which used cars you have, advertise for the ones you want. It's a great way to get the cars that sell quickly, and boosts traffic and sales at the same time.

**3** **Customer satisfaction.** Customer satisfaction should be the number-one priority of a dealership, and it's an important area for a dealer to be involved in. Consider meeting once a week with all

department heads to discuss customer relations matters. Update your customer relations list weekly, and keep dissatisfied customers advised of progress. Personnel, sales and billing complaints should be treated with the same importance as service complaints. Each week, chart the number of customers called and the number of satisfactory compared to unsatisfactory responses.

**4** **Antique car show.** Boost showroom traffic by inviting a local antique car club in for a weekend show on your premises. The extra publicity and increased showroom traffic generated by the displays will more than offset expenses.

**5** **Moving billboards.** By painting a "billboard" on your parts and service vehicles, you can literally take your advertising

message to thousands of prospective buyers in every corner of your city at very little cost.

**6** **Idea sessions.** Holding idea sessions, like those used by NADA 20 Groups, can help your dealership's business. All participants bring one good idea on a selected topic and one dollar, which goes into the pot. The dealer frequently matches the pot, which goes, by vote, to the person with the best idea.

**7** **Newsletters.** A newsletter is a good way to let your customers know about product updates, sales and service specialists and simply that you care about them. A newsletter will also keep reinforcing your dealership's name with customers. If you have a creative person on your staff, let him or her be editor.

## HOW TO SHOP SMARTLY FOR DEALERSHIP COMPUTER SYSTEMS

By Kent Miller

**T**he thought of moving from a manual to a computerized system of recordkeeping is enough to make many auto dealers and sales and service managers break out in a cold sweat. While most realize that costs have dropped within the reach of everyone, they are concerned about the time required to merge a system into their operation. Furthermore, it is easy to become

frustrated by the abundance of computers and the array of software packages on the market. Since many do not feel knowledgeable about the subject, they do not feel qualified to make a decision.

The best advice is don't rush. Becoming knowledgeable is not difficult if you have the desire to benefit from the use of computers and arm yourself with a fully developed list of questions.

Begin this list with questions you and your auditor can answer:

What functions do you have now that you need to keep?

What new capabilities do you need?

What are your immediate and long-range needs?

Here are some tips that should help you complete your specific list, one that will help you zero in on the best selection. No dealership should select its first computer without involving its major decision maker—the dealer—in the selection process. The tendency is for busy people to ask what their competitors use and opt for the same. However, if your competitors did a poor job of shopping, don't have your identical set of needs, or the proven system products, duplicating that choice can be an expensive mistake. Furthermore, the greater the dealer's in-

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(Allow a minimum of three weeks for delivery.)

## Computer Systems

volvement, the more he or she will know about the possibilities computers offer, and the better the system will serve the dealership.

What are the strengths and features of each particular vendor's products? All you have to do is ask any sales representative and he or she will be more than happy to point out the best features of their products. Since no two systems are identical, you may be surprised to find that a system that meets some of your needs falls short of satisfying all your requirements.

What is your plan for system growth? There is no need to suddenly put an entire operation onto a computer. One application can build the information needed to operate future applications. For example, the data collected by your service order

entry system gives you the base needed to begin invoicing by computer. When you are ready to add accounts receivable and parts inventory, the system should be able to integrate each application to fit with the others.

As you schedule additional applications such as traffic control, vehicle control or leasing, or even significantly increase your business volume, you need to know that expansion is available without disruption or heavy expense. You may find that after some years you need to move to a larger system. How much difficulty you may have transferring information from one system to another should be considered.

How reliable is a particular system? Talk to other dealerships who use the system. Auto dealers often purchase parts from several manufacturers and multiple suppliers, each with their own parts number strategy, so check to be sure the system presented to you will handle all lines and volumes satisfactorily.

The best way to know is to see any system you are seriously considering operating in the field. All vendors should be able to supply you with names of other dealers who use their systems in ways applicable to your requirements. Furthermore, they should be able to arrange demonstrations.

What education and support are available? Two things are certain: (1) Your operator(s) must learn to use the system and 2) some day, there will be a need for some form of assistance. Many of today's computers have menu screens; in other words, the computer itself can guide you through the steps of operation. Do you find this computer assistance easy to follow? How readable are the manuals? How much training is provided? How much will training cost for future employees?

Equally important is the availability of service and support. Does the vendor offer a phone service for consultation and advice? What are the charges?

Is the system user-friendly? Select a computer that is easy to operate. Most of today's small- to medium-sized systems do not require a computer wizard who

alone knows that magic words to make the system operate. Even if you have no plans to ever operate the computer yourself, ask the sales representative to show you how to execute commands. Once you know firsthand how friendly the system is, and how close the commands are to everyday English, you will know how quickly new operators can be brought on board.

Is there a hardware/software package that—without modification—will meet your needs? Of course, you can always have software custom-made for your operation, but just as with any other specially created product, the cost may be many times more than the ready-made system. Also, the time to build, test and document such a system could be prohibitive.

In the event you are unable to fit your system requirements exactly to available application packages, look for the system that will require the least modification and consider the cost of hiring a freelance programmer to make only the modifications you need. You must then concern yourself with future support for any and all changes. It is highly desirable to have confidence that when you need help to modify your system or maintain the software, you can depend on the person or company responsible to promptly and effectively respond to your needs.

Properly used, a computer system should provide excellent and accurate management information. It may reduce operating expenses and forestall the need to add additional personnel. There are many cases where auto dealerships have drastically reduced their investment in inventory while meeting increased parts sales, improved their service merchandising and improved closed sales prospect ratio. These are but a few of the payback items from the investment of time, energy and dollars in a well-thought-out automated dealership management system.



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"In most dealerships of our size, a 30% increase in sales one year, followed by a 35% projected increase the next, would create problems. But our Reynolds+Reynolds VIM/NET 32000 performed right with us," commented Diane Honigford, Dealership Comptroller. "The best feature of the system is the integration of parts, service, and accounting systems. It frees time to do the right kind of management job because it decreases the margin for human error and increases accuracy and time efficiency." Sandi Flanagan, Business Office Manager noted, "We've gone from 8 terminals to 20 and can handle all departments' data processing needs, from the accounting office to parts and service."

"In Parts, the 32000 helps us get more done everyday. Posting, or stock order creation, takes less than half the time it used to," added Hubert Overman, Parts Director. "Communications between departments have been improved throughout the dealership. In the Service area, we're finding that the computer print-out service menu with recommendations for maintenance is more credible to our customers. My people feel they're part of the whole dealership team," concluded Bill Cain, Service Director.

Bud Hatfield, owner concluded, "Buying the Reynolds VIM/NET 32000 was the best decision I've made to keep up with managing my rapidly growing dealership."



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Circle #45 on Reader Service Card

## A NEW APPROACH TO PROSPECTING FOR CUSTOMERS

By William M. Graves Jr.

**H**ow often do you get an opportunity to try a radically new approach to an age-old problem? This time you are in for a delightful surprise. Because this approach works. And I'll bet that your dealership has never tried these methods before.

Oh, I'm sure a small minority of you sporadically experiment with some variation. But variations are hardly close

enough. Neither are experiments. What is this highly effective means of dealership prospecting? "Customer satisfaction visits" (service mark pending). Permit me to explain.

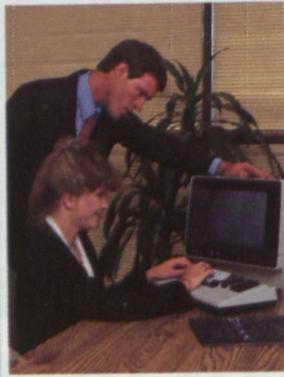
In 1979, when I left the Electrolux Company to realize my goal of owning an automobile dealership, I had an inspiration that has served me well to this day. My thinking was as follows: If I could figure a way to make good use of my strong door-to-door sales background in

the auto business, I could increase sales productivity and, at the same time, tap an invaluable source of fresh prospects. Further, customers would respond more favorably to the hard-working, people-oriented approach that is the hallmark of direct selling.

To my way of thinking, the retail automobile business seemed ripe for the picking. After all, an emphasis on customer satisfaction was hardly prevalent among dealers in 1979. Today, on the other hand, customer satisfaction is the most discussed dealer topic. It is our industry's buzzword. And to think that my 22 salespeople and I used to be the butt of jokes as we sold door-to-door in southern Vermont and New Hampshire with snow up to our tailbones.

We turned into icicles if we didn't

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# Sometimes insurance alone isn't enough

satisfy our customers. At 24 degrees below zero, you learn to satisfy customers—quickly! As for hours, we didn't have any. We started at 8 a.m. and worked until the job was done. Occasionally that meant working until midnight.

What does this have to do with *your* dealership? Insofar as you're interested in improving the productivity of salespeople and tapping a new source of business, direct sales has everything to do with your operation.

The fact is, your salespeople would do well to emulate the positive characteristics found in abundance in top door-to-door salespeople. Let's take prospecting. I'm quite certain that your top salesperson works appointments first and "ups" second, just the opposite of the rest of your sales force. But even your top sales-

person would have reservations about tearing a page out of a phone book to make cold calls. If you asked your entire sales force to do so, the number of resignations on your desk would directly correspond to the number of salespeople employed. They would argue that time does not permit such outside activity.

The direct salesperson, in contrast, considers cold calls an easy road to success. He or she could make two business calls in the time your salesforce was airing its complaints.

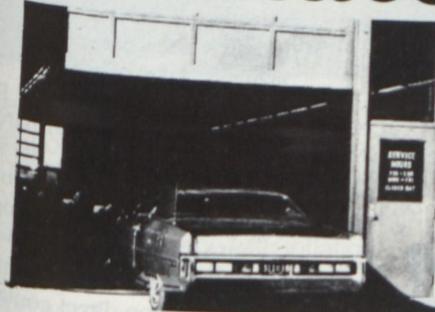
Now, let's ponder the unthinkable. What if you were to ask your sales force to drum up prospects by knocking on some doors in a nearby residential area? It goes without saying that this last proposition would deeply disturb your salesforce (remember, they were ready to hang

it up over cold phone calls), not to mention most dealers.

Why on Earth would anyone propose that retail salespeople knock on doors in 1985, one of the auto industry's better years? So you will reduce the chance of having bad times in the future, that's why! If you are one of the small minority of dealers who has ever sent salespeople knocking on doors, I'll bet you did so when the industry was in a slump. And I'll also bet that the practice stopped with the first sign of good times ahead. That's too bad. Because what is needed is a consistent prospecting effort maintained on a daily basis regardless of the current economic climate. That is the way to lasting success.

One of the reasons your salespeople do not turn in delivery counts as consis-

## Automated



### SYSTEMS:

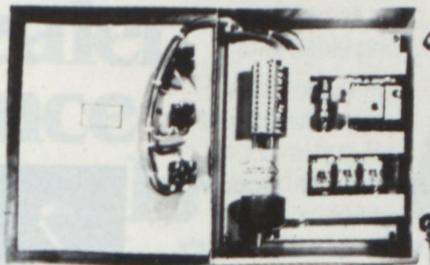
### CAR APPROACHES

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August 1985/Automotive Executive 57

## Prospecting

tently as you would like is that they are restricted in their sales effort! I'll bet you never thought of it that way. Sure, salespeople should make more phone calls, send more direct mail and work more "ups." But what about all the prospects who do not respond to dealership advertising, mail and phone calls? Why should salespeople be restricted to hunting prospects the indirect way from a showroom floor when they could be directly soliciting prospects with maximum impact?

Please don't misunderstand. I am in no way advocating that dealerships change their way of selling, nor am I trying to give salespeople *carte blanche* to handle deals however they see fit. What I am saying is that your dealership would be better off if your sales force canvassed a residential area for one hour each day under supervision. Prospects contacted directly could be convinced to come to your dealership where a deal can be properly worked with management control. You wouldn't sell a car at a house any more than you would sell a car over

the phone. But X number of contacts leads to Y demonstrations which, in turn, leads to Z sales. Selling is and always will be a numbers proposition. What's needed is a large pool of prospects cultivated from all possible sources—not just those within the dealership's four walls.

Now, here's the unique part of our direct prospecting procedure. For best results, your salespeople should use a service approach. We call it a "customer satisfaction visit" (service mark pending). Since salespeople appearing unannounced on residential doorsteps cannot possibly know what kind of car a prospect may be interested in—let alone know whether or not he or she is even in the market for a car—common sense points to selling a product everyone needs and few receive—service. Everyone needs service. You'd be surprised how many motorists don't know that new-car dealers service most makes. And maybe you'd also be surprised how many people are dissatisfied with their present

car and present dealer. (Inevitably, some are upset with your dealership, too. But what an opportunity to satisfy a customer who otherwise would be lost.)

But wait, there's more. Not only will you blow people's minds by offering doorstep service, you will enhance the image of your sales force and your dealership while also training your sales force. That's right. Training your sales force. I've never seen a salesman yet who knocked on a door and said, "Can I help you?" Your salespeople will learn a proper introduction and greeting. They will also learn how to quickly establish common ground. They will learn to think fast on their feet. They will learn to work sales one step at a time with major emphasis on product demonstration. And, finally, they will learn to work hard and in an enthusiastic manner.

Remember, salespeople cannot stand around a street the way they stand around a showroom without getting run over! As an added bonus, you will attract top salespeople who might bypass an automotive sales career due to its image of laziness. Like it or not, "inside" salespeople as a rule are not perceived as being as energetic and hard-working as "outside" salespeople. The simple fact is that customers prefer to deal with energetic, hard-working people who offer excellent service and follow-up. Further, customers respond favorably to the personal attention direct contact offers.

Perhaps most satisfying of all, each dealership department benefits from direct contact. Your salespeople will enjoy solid results from this soft-sell approach. Since there is no need to enter a home for a sales pitch or product demonstration, your salespeople will find customers highly receptive to the doorstep "service survey" approach. Customers ask about everything from automobile features and service to parts availability and rental cars. For this reason, your salespeople should canvass with a brochure or card depicting your services as well as details about location, phone number, hours, etc. As with phone prospecting, the goal of this "service survey" canvass is to set up a dealership appointment with

## Nifty Ideas

1

**Bucket of goodwill.** Purchase a supply of small plastic buckets, have them imprinted with your company name and place car care products (car wash, polish) in each. When a new car is delivered, have your salespeople present the bucket and products as a gift. Customers are very appreciative, and such an action leads to future business.

2

**Business club.** Join an existing or create a new "business club," a group of local businesspeople with no conflicting business functions that meets twice a month for breakfast. Normally, a member will speak about his or her own business, or a guest speaker will be brought in. Membership in such a club can result in more leads and more sales for your dealership.

# Sometimes insurance alone isn't enough to survive a disaster



For instance...do you have duplicate records in case yours are destroyed? Where would you conduct business until new quarters were ready? Or would you just let your customers go to competitors? Has your insurance kept pace with inflation?

In short, planning now makes it a lot easier to cope with a possible disaster later.

Disaster survival and business interruption tips like these are among the many we've acquired in our 80-plus years of serving businesses like yours. They're part of our professional approach to

insurance management. An approach that includes loss prevention right along with loss protection.

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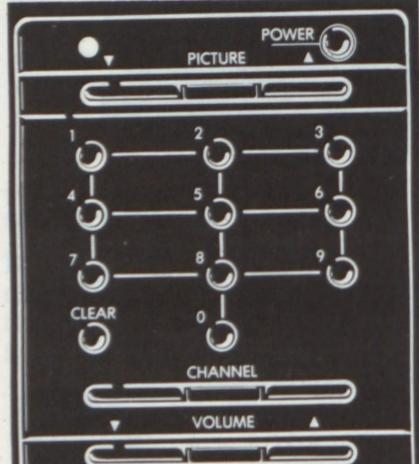
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**Circle #3 on Reader Service Card**

EASY TO INSTALL

a qualified prospect. The procedure accomplishes the following:

1. Promotes goodwill and public relations for your dealership—not to mention customer satisfaction.

2. Provides customer service feedback regarding your dealership service and products as well as those of other dealers. What better way to add to your customer base?

3. Sets formal appointment for the purpose of selling goods and services most effectively. Remember: if the prospect isn't interested, he or she knows someone who is. And the service approach makes him or her recommend you.

4. Provides prospects with hand-delivered literature depicting dealership products, services and industry honors.

5. Leaves practically every prospect in a happy state of shock. Most companies never contact a customer, and these prospects will never forget the fact that you did. And on their doorstep no less! Talk about customer satisfaction.

Why wait for a sales slump? Try this new form of prospecting. Not because you have to, but because it represents plus business. You will be amazed at the results. You will increase your showroom traffic counts, promote goodwill and customer satisfaction, improve training, attract the top salespeople you've been missing, and enjoy the bottom-line results that come from consistent prospecting on a daily basis regardless of economic conditions.

As George Bernard Shaw once said, "The people who get on in this world are the ones who make their own times and conditions." How true that statement is. When your sales force makes things happen rather than waits for things to happen, you won't believe the results. As we used to say at Electrolux, "Opportunity knocks only when you do." That says it. And says it well. ■

William M. Graves Jr. is vice president and general manager of Brandon Chrysler-Plymouth, Brandon, FL. Graves is an M.B.A. graduate of the Roy E. Crummer Graduate School at Rollins College.

## BUSINESS SERVICES

# BUYERS GUIDE

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Auto Tell Services Inc.  
Balance Computer Corp.  
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Karl Singer & Associates Inc.  
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Spear Management Systems  
Subaru Financial Services Inc.  
Thermo-Guard Inc.  
Wheeler Associates Inc.  
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Guardian Light Co.  
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Automated Doors & Controls

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Mid-America Environmental Service Inc.  
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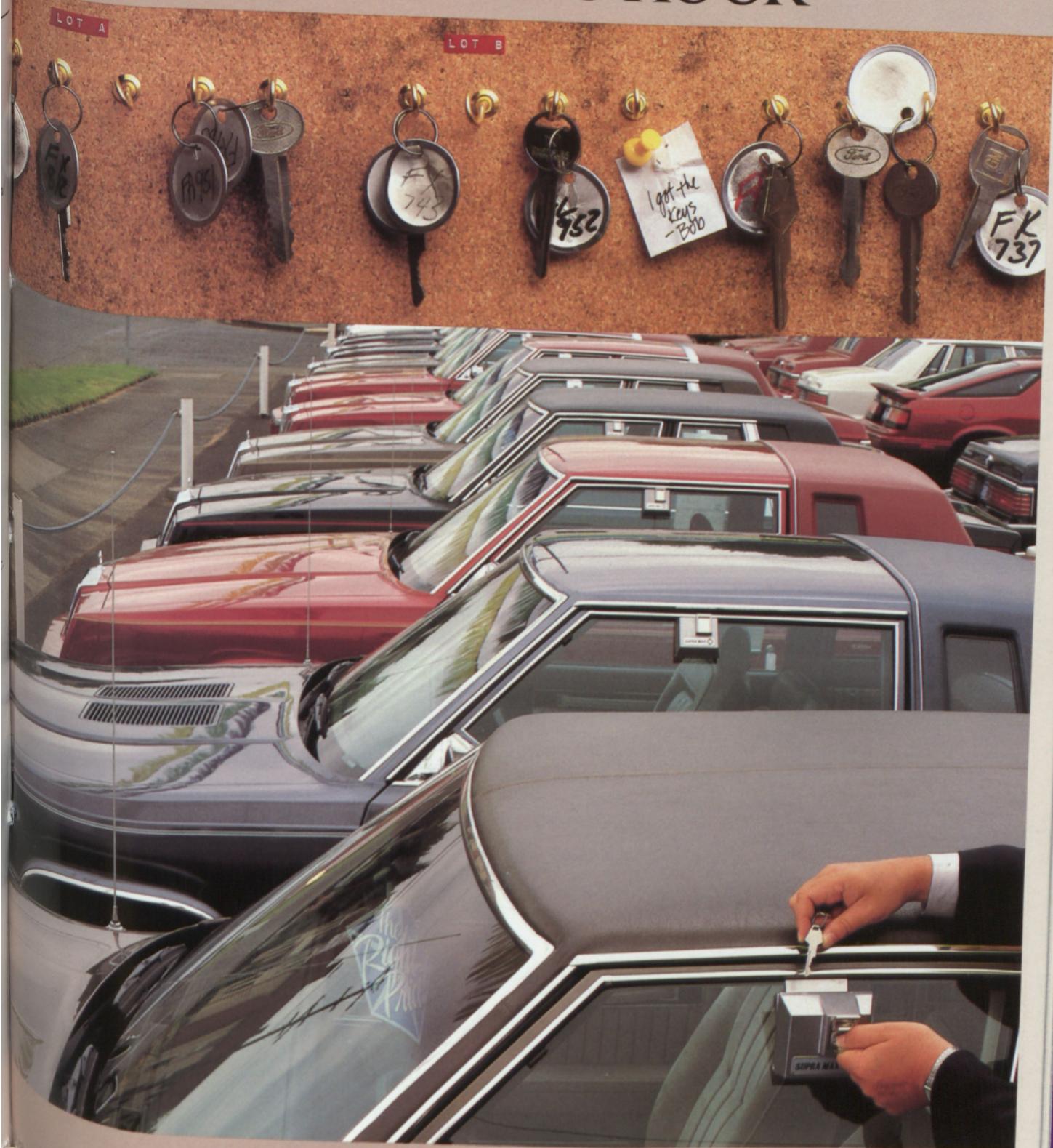
### Security Systems

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This way, customers can see any vehicle at any time and receive a professional, uninterrupted sales presentation. This can mean a faster, lower-cost sale for your dealership.

## SUPRA WILL HELP SECURE YOUR LOT.

With a Supra KeySafe™ system, vehicles are always locked – except when being



shown. Just as important, there are fewer chances for keys to fall into the wrong hands. Lost and misplaced keys will be practically eliminated, so there's less time and money spent duplicating keys.

## THE TITLE® KEY.

Unlike most keys, Supra's Title® keys aren't made from blanks. Each has its own



Title Key design that locksmiths are not equipped to duplicate.

Stainless steel hanger is securely riveted to the box.

Key vault capacity is 33 percent bigger than other models.

Padded back protects car windows.

Painted finish is epoxy-tough, rust resistant and attractive.



Rubber seal keeps out water.

1/4" heavy-duty steel pin secures the lid on a hinge. This helps to protect the window by not allowing the box to open too far.

Dry Lock Lid shields lock mechanism from corrosion due to dirt, weather, etc.

Extra thick walls provide rugged key protection.

# Safe Systems™

combination cast inside. Locksmiths are not equipped to duplicate them.

Supra provides you with lease agreements to use with your salespeople to help control Title® key access. Each key is coded with your combination and a serial number which corresponds to your lease agreement.

Only authorized members at your dealership can order extra Title® keys with your combination. Also, Supra can change your key combination to update your security at any time.



## THE SUPRA-MAX.

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The Supra-MAX hangs easily from the



rolled-up window of a locked car to keep keys safe and handy.

## SECURITY SUGGESTIONS.

To maximize the effectiveness of your total sales program, Supra encourages you to always be conscious of your lot's security. Many of our customers have found these suggestions extremely helpful:

1. Remove the keys from the key safes.
  - At night throughout the lot or around the perimeter of the lot to create a natural fence.
  - On days when the lot is closed.
2. Block driveways with one or two locked cars when the lot is closed.
3. Control Title® keys.
  - Use a lease agreement which requires a deposit from each Title® key holder.
  - Issue keys for a salesperson's "floor time" only.
  - Require salespeople to return keys when they go off duty.
4. Use nameplates on your KeySafes™ to identify your dealership.

## OTHER SUPRA KEYSAFE™ USES.

Many managers of car rental agencies, fleets, service departments, and parking garages have learned to rely on Supra KeySafes™. Efficient control of customers' keys is greatly simplified when the keys stay securely with the vehicles at all times. This results in increased operating efficiency and greater customer satisfaction.

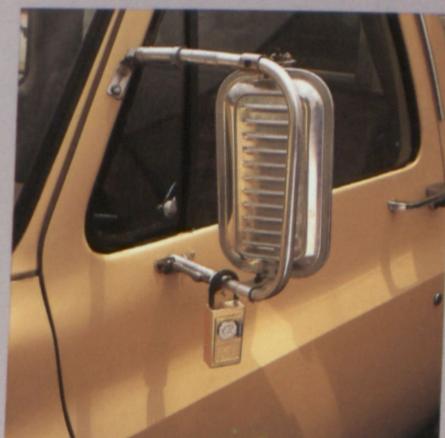
## THE SUPRA-SA.

If you're looking for a small, lightweight, automotive key safe, the Supra-SA is the answer. It features durable, noncorrosive, die cast metal construction with a stainless steel hanger, padded back, and rubber-sealed Dry Lock Lid. The Supra-SA also utilizes Supra's unique Title® key system.



## THE SUPRA-C.

For truck, RV, and mobile home dealers, the Supra-C is specially designed to keep keys within reach. High windows on large vehicles make most auto key safes impractical to use; but the Supra-C hangs like a padlock from the side view mirror, outside door handle, or other convenient location.



## THE SUPRA GUARANTEE.

Supra has been designing and manufacturing quality KeySafes™ for 28 years. The care and craftsmanship that go into Supra products make the company proud to stand behind its work. All Supra products are fully guaranteed against defects in workmanship and/or materials for one year.

# Super sales talk from Supra customers.

"We use Supra key boxes on both new and used cars for all three of our dealerships. Now we serve our customers more efficiently. We used to keep them waiting while we searched for misplaced keys. But with Supra locks, we've shaved about 15-20 minutes of unnecessary time off each sales presentation." **DAVID HANSON,**

**Bill Hanna Ford-BMW-Saab,  
Shreveport, La.**

**"We haven't had a single break in since we started using them."**

"Our salespeople like the idea of using a Supra lock system because it adds to the professionalism of the sales presentation. They don't have to run around looking for keys while their customers wait. We were a bit skeptical at first, but the system proved to be a big success."

**ARTHUR MANDRY,  
General Manager, Cavender Oldsmobile,  
San Antonio, Texas.**

**"It adds to the professionalism of the sales presentation."**

"We looked at other key boxes but none could match Supra for quality. And since we started using Supra, we save about two hours a day in set-up time. Before Supra, we unlocked all the cars every morning and locked them again at night. Now the keys stay safely with the cars. And the cars stay locked. We haven't had a single break in since we started using them. That's down from about one per week with our last system."

**RICHARD VAN DER PORT,  
Don Foss International, Detroit, Mich.,  
largest used car dealer in the U.S.**

"Supra locks are absolutely phenomenal. We use them for new and used cars – it's the best system we've had in the 81 years we've been in business. I don't know why they need advertising, they sell themselves."

**VINCE MEYER,  
Ten Voorde Ford, St. Cloud, Minn.,  
oldest Ford Dealer in the World.**

**"It's the best system we've had in the 81 years we've been in business."**

"We've been using the Supra Max for about two years. With our old key ring system, we lost keys almost every day. But we haven't lost a single key since we started using Supra. The biggest advantage, though, is that the salesman doesn't have to interrupt his sales presentation to run for the key ring. I recommend Supra locks highly."

**KEN ADAMS,  
General Manager, Alexander Chrysler Plymouth,  
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# SALES SUPPORT



SALES  
SUPPORT

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## SALES SUPPORT



Today's savvy dealers, survivors of the recent recession, are always on the lookout for new profit opportunities. High on the list of growth areas are used cars, leasing and F&I.

By J. Ferron

## ADDRESSING THE FUTURE: TEN QUESTIONS FOR REVIEW

The future of the auto business is going to be very competitive, with demanding customers prepared to shift their buying intentions more quickly than ever before. This new environment, with all its uncertainty and risk will, however, be the natural and ideal playing field for entrepreneurs. Those who will earn the profits in the future will be those able to deliver customer satisfaction. This will hinge on improving productivity, improving communication between employees and management, developing talent and building the employee teams needed to take advantage of coming opportunities. We offer the following 10 questions for dealers and their management teams to

consider as starting points for achieving that goal.

### 1. What opportunities exist (or can be created) which this dealership will capitalize on in the coming year?

The answer to this question is usually not obvious. Solicit the ideas of every employee.

Perform an annual survey asking each employee for ideas about where opportunities lie. Make a big deal about getting the ideas. Consider each seriously, follow up on the best and reward ideas that work!

Who else can better candidly assess the strengths and weaknesses of a business than the people who work there?

### 2. How does this business look in the eyes of a banker?

In the past, having a better than average net profit before tax was sufficient to meet banker approval. However, as the tax bite has increased over the years, bankers have shifted emphasis to return on investment, and now increasingly judge the health of a business on its return on assets. Return on assets more accurately reflects the efficiency of a business in and of itself and in comparison with other investments. How does your business look in this light?

Also, consider these ratios to judge the health of the dealership:

- Solvency ratios—calculate liquidity and forecast cash flow.
- Debt serviceability—net profit before interest charges and tax divided by interest charges; number of times interest is earned each year.
- Use of assets—sales divided by total



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“Customer satisfaction in the future will hinge on improving productivity, improving communication between employees and management and building the employee teams needed to take advantage of coming opportunities.”

assets; inventory turnover; accounts receivable divided by average monthly sales rate.

After you examine these ratios, have an independent financial analyst perform a separate analysis.

**3. Do I have the right franchise(s) for the future?**

Review the products you and your competition sell. Read your franchise agreement and ask, “Am I giving my manufacturer or distributor everything they bargained for under the specific terms of our franchise agreement?” “Are the obligations I have assumed by this contract worth the return I am likely to get in the future?” “If I want or need another franchise, what steps can I follow to secure it?”

**4. What changes in my current or potential customers can I document that have taken place in the past year?**

The key here is to know your individual markets and primary customers. Then, keep an active “market file” of any information you can gather about the trade area of your dealership. By the end of a year there should be newspaper clips about growth trends, buying patterns, traffic flow, local economic trends, real estate values, etc. Information provided by your manufacturer can point to your specific vehicle buyers.

You can also get a lot of information right off your floor traffic cards, ROs, finance applications, etc. Use your computer to start trending important data and use your printouts as first entries into next year’s file.

**5. How do my customers see this dealership?**

The image a dealership has in the community is no less important than the ones filled by the product(s) sold by the dealership. It is something that must be studied and nurtured as professionally as possible.

Try to break out of the “comfort zone” of thinking everybody likes you and that all your employees are building customer loyalty.

Read the letters customers have written to you or your manufacturer. Evaluate what your dealership looks like to the public in advertisements, signs and wait-

ing and write-up areas. Evaluate how your employees look and act. Ask for (or survey) independent and impartial opinions of your dealership’s image. No matter what the answers are, have an employee meeting to discuss the importance of showing customers that they are appreciated and that your people value their business.

**6. Is this location getting better or worse?**

Gather the most recent map of your trade area showing new growth. Collect whatever local demographic data you can. Note where other dealerships selling to similar customers are located. Is your trade area getting bigger?

Study every local industry change. What types of companies are coming into your area? Which are leaving or shrinking? Determine what this means to the employment and customer base in your area. Get a copy of any market studies your manufacturer has done relevant to your dealership.

Try taking pictures of the major street approaches to your dealership every year and compare them. The photographs may reveal some aging in area stores that you have overlooked. Ask yourself what your property is actually worth at current market valuation. Log the annual appreciation rate (if any) and consider the land’s value in five years.

**7. How effective is my evaluation of my management team?**

Whether you are evaluating your partner or the managers in multiple dealerships, this task has to be taken seriously. People are the key to profitability and delivered satisfaction. You should set aside time to sit down with each of your managers to apprise them of your objectives. Be sure to mention their strengths as well as weaknesses that can be im-

proved. Do they understand your goals as a dealer? Do they set goals for their employees and provide valid feedback to them?

Ask each what they plan to do to develop themselves. Finish the interviews with questions about what you, the dealer, can do to help the managers perform their jobs better.

**8. What am I giving back to my community and industry?**

This is self-explanatory. The importance of a dealer’s role in the community and industry is enhanced only when individuals allocate priority to becoming involved.

**9. If I die tomorrow, what happens to my dealership and my family?**

More than two-thirds of all the dealer wills reviewed by NADA’s estate planning experts have significant problems. Mostly, they were either written too long ago to be effective, or they don’t comply with current tax laws. Titling of property and a plan for its distribution are frequently mishandled. (This is particularly important for spouses of dealers since they must show ownership to qualify for unified tax deductions.)

Seek expert advice to make sure that the valuation of your business is proper, is frozen for estate purposes and that a proper successor is provided with money to carry on the business.

**10. What is the single most important action I need to take to prepare my dealership and employees for the challenges ahead?**

Write your goals down, set a deadline, then act. Your employees expect leadership. Remember: organizations, like trees, die from the top down.

*J. Ferron, executive director of NADA’s Industry Analysis and Dealership Operations Group, is co-author of “Betting On The Franchise,” an in-depth look at the future of the auto and truck franchise system. This article is excerpted from that book. To purchase the book, send \$12.95 (\$19.95 for non-NADA members) plus \$3.50 postage and handling to the Resource Link, 2906 E. Ponce DeLeon, Decatur, GA 30030. (800) 241-7785.*

## IMPROVING THE PERFORMANCE OF USED CAR OPERATIONS

**W**ith the limited number of profit centers in a dealership, a dealer can't really afford to ignore a single one. Due to time constraints, however, dealers sometimes can concentrate only on two or three departments and must let the others fend for themselves. One department that is often left like an unwanted orphan is used cars. This can be a mistake, however, because the used-car department has tremendous profit potential.

At the 1985 NADA Convention, Bud Greenwood, president of Greenwood Chevrolet in Youngstown, OH, and Jack Stanko, general manager of Herb Galles Chevrolet in Albuquerque, NM, discussed the profit potential of the used-car department and outlined methods by which every dealer can improve the department's performance.

### Dealer Commitment

For Greenwood, the success or failure of the used-car department is read on the bottom line. As a member of an NADA 20 Group, Greenwood has the opportunity to rate the performance of his used-car department not only by his own standards, but against those of other dealers.

"In my 20 Group, the most profitable used-car operation creates about \$111,000 in used-car gross profit per month," Greenwood says. The least profitable dealer generates only \$30,000."

This monthly \$80,000 differential between high and low translates into a difference of almost \$1 million in gross profit on an annual basis.

"There are a lot of reasons for that gap, but the most important one is that the high man in our group is very committed to the used-car business," Greenwood says. "Every dealer is probably aware of the potential of used cars, but I believe that a 35- to 40-percent return on invest-

ment is possible."

At Herb Galles Chevrolet, the used-car department is a big money-maker, accounting for one-third of the dealership's net profit. According to Stanko, the used-car department came in just under a seven-figure net profit in 1984. Gross profits were \$1.4 million, and the average per-unit gross profit after reconditioning was \$1,250.

"The outlook for the used-car market looks great," Stanko says. "There are now almost 107 million cars on the road and many of them are going to need to be replaced soon. I think that if I were betting on the industry's future, I'd bet on the used-car business more than any other segment."

### Appraisal and Personality

When appraising a used vehicle, Greenwood Chevrolet uses a spread, usually \$200 to \$300. Because of this spread, the appraisal becomes a key variable in the sale, especially if the vehicle has what Greenwood calls a "high personality quotient."

"I like to think that every used car has a personality," he says. "There are a number of things that go into that personality. The most important factor, however, is basic—is it a good unit or a bad unit? If it's not a good unit, there's no point in making an effort to recondition it. There has to be something to start with."

Once a dealer has determined that the vehicle is a good unit, he must then look at the other aspects that make up the personality. Mileage is an important factor, as is the sales history. And, of course, special equipment adds value.

"Every dealer knows the problems of selling a basic vehicle," Greenwood says.

In working with his used-car department, Greenwood has established sev-

eral categories for used vehicles, based on age, source and profit potential.

The first category consists of current or one-year-old automobiles. These tend to come from the factory, leasing companies and a few trades.

"The gross profit potential in this category is good," Greenwood says, "but not as good as it used to be."

Category two is the 1981, 1982 and 1983 models. This category is large and has a good profit potential. Most of the vehicles come through trades, curb buys and auctions.

In category three, 1978 through 1980 models, the gross profit potential is generally higher than in categories one and two. Once again, most of these vehicles come in trade or in auction.

Then, there is category four.

"This is a controversial group and it isn't for everyone," Greenwood says. "This category includes the older vehicles that are actually mechanically safe and roadworthy. This is a group where there is some gross profit potential available. Admittedly, we're dealing with smaller numbers, but each sale is one step closer to attaining the gross profit goal for the month."

Many times a dealer can sell a category-four vehicle without reconditioning and still earn a fair amount of profit. If, however, the vehicle has a high personality quotient, the dealership should give it priority.

"We put those cars in front of everything else," Greenwood says. "We recondition them and do a really good job with them. Then we get all the salespeople to drive them and make a real production of the whole thing. Then we spiff them immediately."

### Personnel and Spiffs

Good salespeople make the used-car department. Without them, dealer commitment and financial planning will be for naught, as customers will visit the used-car department but buy elsewhere. Even customers who know exactly what they want and find it in the lot still have to be sold.

"A good used-car department needs

good salespeople," Greenwood says. "Achievers, not sustainers. The people must have strong ego drives and a high degree of empathy."

Managing these individuals, however, can be difficult, but a strong, definite organization within which each can set and meet his or her own goals often yields high profits.

"We ask each of our salespeople to establish monthly and yearly goals," Greenwood says. "We also ask them to establish goals in terms of pay, the number of units they plan to sell and the gross profit they expect to create. We monitor these goals closely and find them to be very helpful."

At Herb Galles Chevrolet, Jack Stanko

goes even farther, regularly using large spiffs and bonuses to keep the sales staff highly motivated.

"We tell the salespeople that whoever gets the highest gross profit deal for the quarter gets to keep the gross as a bonus," says Stanko. "We are having more \$2,000 deals written than ever before. Right now our high gross deal for

## Nifty Ideas

1

**Livening sales meetings.** Assign a salesperson to present a "six-position sell" on a particular vehicle at each of your sales meetings. Because the salesperson is making the presentation to his or her peers, he or she is motivated to research the vehicle and become an expert on that product. The sales staff learns more quickly from a videotape or written material, and management has an opportunity to review the type of sales presentation made on the showroom floor.

2

**Used-car mall display.** A unique way to display your used cars is by videotape in a local shopping mall. A kiosk fitted with video screens on both sides can easily be set up, displaying a running tape of your used-car inventory with individual cars shown from all sides. The kiosk can be staffed during high traffic hours by part-time help from an employment

agency with a phone line to the dealership to refer inquiries to salespeople.

3

**"Adopt" a customer.** Send the following message to customers of former salespeople: "I was going through our records recently and I discovered a disturbing fact. Since you bought your car in (year), your salesperson has left the business. This means you are left to your own devices, alone and unprotected but not necessarily unloved. After serious consideration, the solution to this problem became simple—adoption."

The salesperson then offers to adopt the customer "to help protect you from the slings and arrows of disinterest and confusion."

4

**Displaying the proof.** Go to a local junk yard and purchase a rusted, paint-faded car door and old, worn carpeted mats. Cut down the door to show the inside

effect of rust, and clean and then treat half the mat with a protective. Set up a display in your showroom with these items and aftermarket products.

After you sell a vehicle, walk the customer over to the display. Show the effects of rust and paint oxidation on untreated vehicles, and demonstrate the protective abilities of the fabric protector.

5

**Cassette messages.** More and more dealers are putting prerecorded cassettes in demo cars. The cassette presents pertinent facts on the vehicles during the test drive, and never forgets anything important.

6

**Polaroid prospecting.** For undecided prospects, take a Polaroid picture of the car they're interested in sitting in their driveway. Just leave the picture and your card in the mailbox and wait for their call.

the quarter is \$2,980 on a used car. And I know it's going to go up before the end of the quarter."

Stanko also runs regular weekend bonuses. He puts a \$200 to \$300 cash spiff on whoever sells the most cars for a weekend. He also offers another \$200 to \$300 bonus for whoever writes the highest gross deal for the weekend.

"Gear bonuses not only for volume, but also for gross profit," Stanko recommends. "Some of the salespeople will pick up some of those big bonuses, but in the long run it won't cost. It comes back ten-fold."

One other area in the used-car department that dealers should keep tabs on is the lot charge. Greenwood recommends using a fairly high lot charge.

"Today, it's not uncommon to use a minimum of \$200 or even \$250, or maybe a percentage, such as 5 percent," Greenwood says. "Dealers who don't do this leave a lot of money on the table."

#### Advertising

"A lot of dealers neglect used cars when it comes to merchandising and promotion," Stanko says. "We don't."

Stanko believes that strong and consistent advertising is necessary for a successful used-car department. Once a month, the department heads at Herb Galles meet and work out an ad budget and theme for the coming month. Each month, the dealership runs one full-page used-car ad and one special sale for used cars.

"We end up devoting about 25 percent of our advertising budget to used cars—or \$10,000 a month," Stanko says. "On average, we spend about \$94 per used car retail on advertising."

"The main point about good advertising is consistency," says Stanko. "A dealer can't just start merchandising and advertising because he has had three slow months of used car sales. He has to hang in there and advertise every month."

*Based on a workshop presentation at the 1985 NADA Convention. Edited by Gerry Donohue.*

## BOOSTING DEALER PROFITS THROUGH LEASING BUSINESS

By Dennis J. Carey

**M**any automobile dealers have found that leasing programs significantly increase profits. But despite the proven boost in sales that leasing achieves, other dealers have yet to join the ranks. No doubt some resist for lack of understanding how leasing works or how it would apply to their own dealerships. Still others are content to rely solely on "tried and true" conventional sales. Whatever the reason, dealers without leasing programs forfeit opportunities to build profit.

It's not surprising that today's competitive environment compels dealers to recognize how the benefits of leasing can influence their business. In some instances, increases in a dealer's unit volume and gross profit can be directly traced to leasing. Improvements in cash flow and customer retention can also result. Brisk service and parts sales, increased travel rates, and the capability to cross franchise lines and build a reliable pool for quality used cars are other important benefits not readily apparent.

#### Leasing Increases Sales

Leasing is structured to capture lost sales incurred at every successful dealership. It's squarely aimed at "walkers," those three out of four prospects who intend to buy a car but who leave the showroom without making a purchase.

Using leasing's powerful built-in sales features, dealers can combat consumer resistance to high sticker prices, hefty down payments and high monthly installments—the most commonly cited reasons for failure to buy. Unlike direct purchase, leasing usually requires no down payment, and monthly payments are typically lower than conventional purchase installments.

**Higher Grosses Attributed to Leasing**  
Since sales through third-party leasing companies are customarily at full sticker price, dealers signing leases experience higher-than-average unit grosses. Domestic dealers who experience a conventional \$750 gross from a single unit sale often generate a \$1,500 gross through leasing.

This positive unit gross is multiplied as the number of lease-option sales increases. For instance, if a successful dealership with a 25-percent closing ratio gets 250 new- and used-car sales out of every 1,000 prospective buyers, a lease-closing ratio of just half of that, applied to the 750 walkers, will result in putting over 90 more cars on the road. The result is translated into a positive impact on the dealer's gross profit margin.

#### Customer Loyalty Enhanced

Statistics have demonstrated that when professionally serviced, leasing customers will lease again, contracting for a second, third and even a fourth successive car. The repeat business ultimately assures the dealership of a valuable commodity: a solid and loyal customer base.

While this strong base builds over the long term, short-term leasing benefits are immediate. The lease-purchase presents the dealer with fast and full cash payment, with no credit risk through a third party.

#### Indirect Benefits

While leasing's effect on cash flow and profit margin is almost immediate, there are other benefits that accrue throughout the full lease term. For one, leasing builds back-end business for dealers' maintenance and repair services. Lessees generally extend their service responsibility

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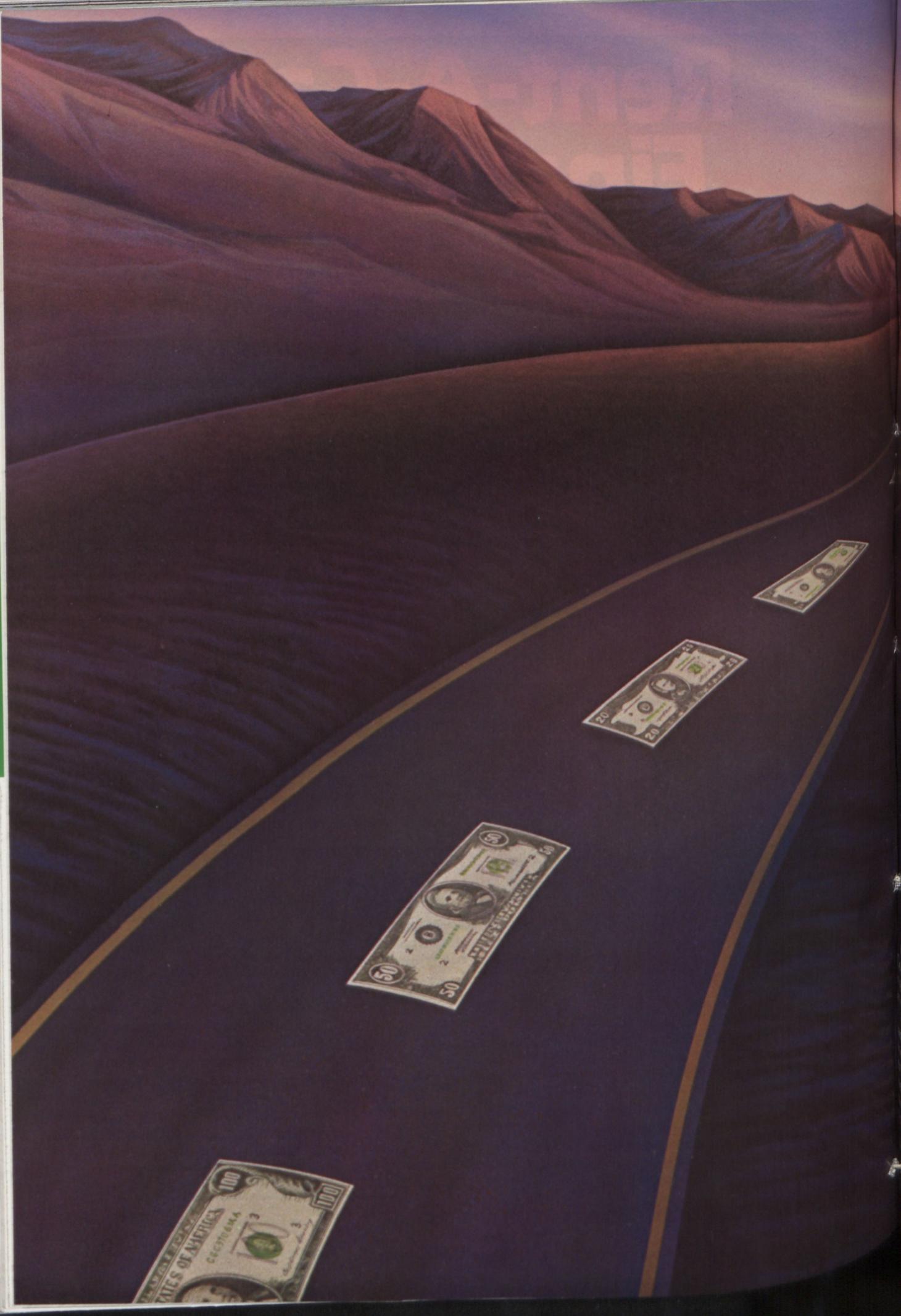
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**"Today's competitive environment compels dealers to recognize how the benefits of leasing can influence their business. In some instances, increases in unit volume and gross profit can be directly traced to leasing. Improvements in cash flow and customer retention can also result."**

through the entire lease period, rather than only for the term of the manufacturer's warranty as is often the case with conventional sales. This extended service penetration means proportionately greater parts sales plus added volume for more efficient utilization of service personnel.

Leasing also permits dealers to cross franchise lines to close sales. In these cases where a customer desires a model that's unavailable, the dealer can offer another make.

Yet another, less obvious, benefit involves travel rates—the basis under which many manufacturers allocate vehicles. As leasing builds unit sales, dealers improve their travel rate, a valuable factor when competition is fierce for prompt delivery of new cars. Furthermore, leasing creates a ready source of used cars. When a lease expires, if the customer does not buy the car, the dealer has the option to purchase it from the leasing company. The former leased car then translates into a marketable used car, one the dealer has serviced and "knows."

#### **Selecting a Leasing Source**

There's a wide selection of leasing companies offering services to automotive dealers, and dealers should be alert to the features offered by each. The final selection of the third-party lessor, however, should depend primarily on a dealer's particular needs.

Dealers should look for a lease service with a flexible range of products and programs. Many companies are willing to lease a broad selection of vehicles; they should offer them through a comprehensive package of lease products. For example, the company's list of eligible vehicles will include most makes and models of automobiles plus trucks ranging from light-duty to one-ton; their programs should also be wide-ranging, applying to both consumer and business leasing and offering either open- or closed-end options and a choice of 24-, 36- or 48-month terms. In open-end programs, the lessee is obligated to guarantee a portion of the car's residual value when the lease is terminated; a sum

not exceeding three times the average monthly payment. The closed-end lease places this obligation with the lessor.

Dealers should also be alert to features that maximize profit potential. For example, a lease-sale should result in prompt credit turnaround and cash payment up front to the dealer at full manufacturer's suggested retail price (MSRP). Full payment for dealer-installed accessories and preparation charges will also provide significant opportunities for revenue.

Full-service support and training are less apparent but nonetheless valuable features that can be incorporated into most major programs. All billing, credit approvals and collections are normally provided through the lease company. Fast, toll-free access to the lease company's field offices should be made available; in some cases dealers are actually provided with computers and programming assistance to facilitate processing and communication.

In other instances, the lease company may offer its own marketing materials; point-of-purchase displays that help dealers generate interest in leasing and warranty and insurance packages that help close the sale. Computer-generated renewal notices will also be in the package to alert the dealers' customers to approaching lease expirations.

Dealer training is another key support service. Lease companies will provide their clients with intensive initial sales training, followed by a basic primer in leasing. Often this training is periodically updated and reinforced with seminars and workshops. Frequent follow-up calls, updated quarterly auto-lease handbooks

and dispersal of other merchandising materials can also be included in a major company's programs.

#### **Successfully Implementing a Leasing Operation**

Dealer commitment to the lease program is an essential ingredient for success. The business principal must be a firm leasing advocate and have the support of other management. Such commitment will head off potential personnel disruptions that may arise from changes in compensation and customer flow precipitated by the leasing program.

Evaluating and managing customer flow will significantly add to the ease with which a leasing program is implemented. By conducting a survey of sales representatives, sales managers and finance managers, a lease company can determine how customers are handled when they walk through the door and what steps are necessary to increase the dealership's closing ratio.

Centralizing responsibilities can be another key element in the successful leasing program. Experience has proven that a leasing operation functions most effectively when a single person is designated to control it. The control manager should possess strong sales and administrative abilities combined with a strong desire to succeed. Responsibilities will include making sure that an effort is made to convert each walker to a leasing customer, selling add-on products, supervising the completion of all leases, acting as liaison between the dealership and the leasing company and promoting the overall concept of leasing both inside and outside the dealership.

Auto industry experts predict that more than half of all new cars on the road will be leased by the end of the decade. This sizable market, when combined with leasing's boost to profitability, will stimulate dealers without leasing programs to evaluate this valuable product. Every year, evidence continues to mount as dealers present new sales and earnings reports that attest to the real benefits of leasing.

The result of the growing trend towards

# Dealers/Financing

leasing is expected to impact on all levels of the automobile industry in addition to consumers. Manufacturers and dealers will sell more cars, while consumers will receive an efficient and cost-effective

level of service that meets their needs. ■

*Dennis J. Carey is vice president and general manager of General Electric Credit's Auto Financial Services Operation.*

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## CONVERTING F&I INTO DEALERSHIP PROFIT GAINS

"I don't think dealers realize the profit potential of finance and insurance," says Ray Elsie, a Florida consultant for dealership F&I departments. "I'm constantly amazed by the lack of interest and knowledge of dealers and management people about F&I."

As a frequent NADA 20-Group speaker, Elsie has seen the value of a strong F&I department to a dealership. He says in the financial statements of the 20-Group dealers, F&I accounts for between 20 and 100 percent of the net income per retail unit.

"The average is somewhere around 35 to 45 percent," Elsie says. "Yet many dealers don't bother to take advantage of the opportunity."

Elsie believes F&I should be the most important department in the dealership, and F&I personnel should be experienced and well-compensated.

### The Bottom Line

"Most dealers don't realize that F&I is a sales job, not a finance and insurance job," Elsie says. "The people in the F&I office have to be salespeople. In fact, they have to be the best salespeople in the dealership."

Further, Elsie asserts that sales expertise is even more important than dealership experience: "F&I is not the car business. F&I is money. Money and how to protect it. In fact, the car is an unnecessary factor because all we're talking about in the F&I office is the bottom line."

The F&I person has three primary sales jobs. He must sell the salespeople and managers in the dealership on his ability to help sell cars; he must sell the lenders on his ability to get them good finance customers; and he must sell the dealership customers on his ability to save them money.

Selling the dealership salespeople and

managers may be the most difficult job. "Salespeople don't like F&I people," Elsie says. "The F&I person has to sell the salespeople constantly on what he can do for them.

"I believe that F&I people are responsible for 15 percent of the new cars sold."

Elsie does not agree with dealership policies that require salespeople to turn their customers over to the F&I office. He believes such policies create a bad relationship between the salespeople and the F&I office. In the dealerships in which he consults, Elsie tries to instill a positive attitude among the salespeople towards the F&I office, because if they are positive, they will transmit that attitude to the customers.

"F&I people have 15 minutes to make as much, if not more, than was made over the four hours or three days or two weeks that it took to sell the car," Elsie says. "There are no comebacks. They have to sell the customers now. So they have to have the support of the salespeople or they're not going to do it."

"Getting it done" can mean a lot of money for the dealership. According to Elsie, the average F&I deal in Florida is about \$690.

"And those are all good dollars, minus a few chargebacks here and there," he says. "You can spend them right now." The second sales job is getting the lenders to buy the customer financing, and this job can be very difficult if the F&I people are not getting good customers, particularly cash conversions.

"If all they're sending to the bank are lay-down finance customers, they're sending a lot of marginal 'paper,'" Elsie says. "Cash conversions are important not only from a profit point of view but for improving the quality of your 'paper.' Every cash conversion should result in the sale of two more cars in the dealership because it's a good credit deal."

#### **Cash is a Mistake**

The final sale the F&I person has to make is the customer, and Elsie believes that is the easiest. He says that although many people believe that paying cash is the best way to buy a car, a good F&I

person can quickly convince the customer that the best way is to finance it.

"Anyone who pays cash for a car is making a mistake," Elsie says. "I give my

all to get everybody to finance a new car. I just bought a new car and I financed it."

Elsie says there are numerous ways to convince a cash buyer to finance the new

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## Finance and Insurance

car, but none of them will work if the F&I people do not first establish a rapport with the customer.

"F&I people have to establish credibility immediately," Elsie says. "They should talk to the customers about anything. Get them relaxed. Be a nice person."

Next comes the sale.

"I've got a cash buyer," Elsie assumes. "He or she is going to pay \$10,000. After spending a couple of minutes with them, I look at the buyer's order for a couple of seconds and then say 'Your monthly payments are going to be \$281 per month.' It's amazing how many times it's all over right there. Deep down inside cash buyers are just waiting for someone to tell them how to finance, because it's no fun taking \$10,000 out of the bank."

Another successful F&I sales method is showing the customers the investment power of their money. For example, by buying a certificate of deposit at 12 percent with the \$10,000 they would have paid for the car, at the end of four years the customers will earn the interest from the CD—giving them an effective discount on the car—and the principle.

Elsie also cautions that the certain way to complicate or lose an F&I deal is for salespeople to talk too much about the Annual Percentage Rate (APR). Once APR comes into the transaction, the customer immediately becomes a comparison shopper, searching all over town for a .01-percent better deal.

### A Fantastic Buy

The second half of F&I—insurance—is equally important to both the customer and the dealership, Elsie says, but suffers from an unjustly poor reputation.

"Everybody believes that credit life insurance is the worst life insurance program in the world," he asserts. "They're wrong. It's a fantastic buy."

Elsie says that few people know the actual cost of credit life insurance. In Florida, the cost is \$.60 per \$100 per year, or \$6 per \$1,000 per year. He states that the majority of car owners could not buy comparable life insurance at that rate.

"It's a great deal," he says. "If a dealership's penetration for credit life is not 80

percent, there's something wrong."

That "something wrong" is that credit life is often sold as an add-on to the monthly payment. It shouldn't be. It should be sold as an important part of any new-car purchase.

"It's like double insurance for the customer. If they pay cash for the car and die, the family only has the car," he says. "With credit life, they have the car and the money."

"Everybody in the world can buy credit life insurance, except for one large group of people—those who pay cash. Therefore, selling the benefits of credit life becomes one of the F&I office's best closing and conversion tools."

Another F&I program that helps to close finance deals is accident and health insurance, or as Elsie calls it, disability income.

"I call it disability income because that's what it is," he says. "If a person becomes disabled, the dealership will pay them a monthly income up to the amount of their payment."

Most dealerships don't push disability income, but they should. According to Elsie, 34 percent of Americans with poor credit ratings suffer from a disability.

"The F&I person should tell the customers to forget that disability income covers their monthly payment," Elsie says. "It protects their credit rating."

Like credit life, Elsie cautions against selling disability income as an add-on to the monthly payment because often the people who can least afford to make the monthly payment—and who will turn it down—are the ones in most need.

For the dealership, disability income often results in more sales. Every time a claim is made, the salesperson should call up the disabled customer and remind him that he is covered by the program and ask if the dealership can do anything. Almost invariably, that little extra effort results in a repeat customer and referral business.

### Compensation Plans

"Not everybody can be a good F&I salesperson, so dealers should be very selective about the people they hire," Elsie

says. "And they should pay them to keep them."

Elsie prefers a simple payment plan for F&I personnel, a straight weekly salary plus 10 percent of net F&I, but suggests that dealers institute any plan they feel comfortable with.

"I also think that salespeople should be compensated for F&I because they are very functional in it," he says.

Elsie has a straightforward formula for compensating salespeople. For salespeople earning \$0 and \$1,500 of F&I income on their deals during the month, there is no F&I compensation. For income between \$1,501 and \$2,500, the salespeople get 5-percent retroactive to the first dollar. Between \$2,501 and \$4,000, they get 10-percent retroactive. Between \$4,001 and \$5,500, they get 15-percent retroactive and so on up to 25-percent retroactive.

Elsie instituted this pay plan in a dealership in Florida that was doing about \$35,000 per month in F&I income and paying 10-percent salespersons' commissions.

"In the first month we put this plan in the dealership, F&I exceeded \$60,000 and they paid only 7.8-percent salespersons' commissions," he says.

Elsie also recommends making a big production over monthly F&I commissions. At the weekly meetings, the F&I person should give an update of all the salespeople's performances. At the end of the month, individual checks should be cut and the F&I manager should hand them out personally.

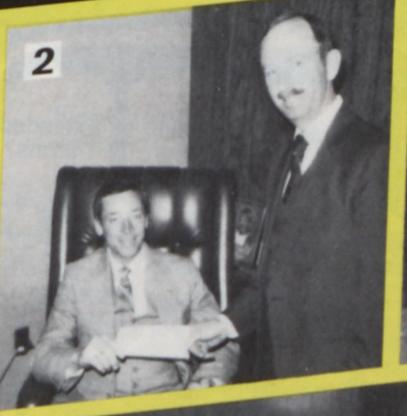
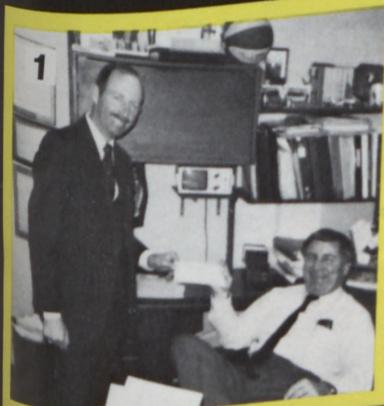
"F&I becomes the most important thing in the dealership. Nobody talks about monthly payments because they know that if they do, it will only cut the F&I manager's chances of making sales, and they will lose money," Elsie says.

If, however, the F&I office makes a good deal, a cash conversion plus credit life and disability income, the salespeople will make money.

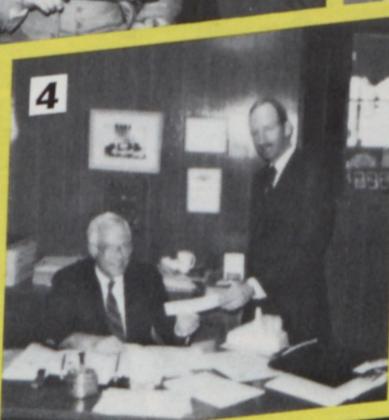
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*Based on a workshop presentation at the 1985 NADA Convention. Edited by Gerry Donohue.*

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### Sales Trak

For the more than 1,000 dealers who use NADA's Sales Trak system, organized prospecting, management control and follow-up are profitable facts of daily life. The average improvement in the number of closes salespeople make in dealerships using Sales Trak is 60 percent, and the average salesperson under Sales Trak delivers 50 percent more units per month than the national average.

Under Sales Trak management, all sales efforts focus on the successful conversion of a prospect into a customer. The system gives sales managers more control of their sales force and the selling process.

Salespeople are provided with an easy-to-follow work plan that inventories prospects, organizes follow-up and leads to a close. This coordination of activities provides dealers with a clear picture of what their sales force is doing and its success record.

Installation of this unique program includes an in-dealership visit by an NADA consultant, who helps train the dealership's new- and used-car salespeople. Two additional follow-up visits are made to ensure the system works at peak productivity. Prospect handling is analyzed

by computer and reviewed by an NADA consultant each month.

### Service Systems

Recent NADA studies show that only 55 percent of all dealer service facilities are utilized, the efficiency rate of those facilities that are used is only 85 percent, and the productivity level of technicians is estimated at about 75 percent.

The unrealized potential for dealer service sales is significant. Dealers often turn away more business than they take through their doors because of improper handling of customers and service personnel. The key to the problem is the practice of selling a certain number of repair orders, rather than time. This approach disregards completely the amount of time written on these ROs.

That is where the NADA Service System "Time Control" program comes in. It offers dealers an effective means to manage the myriad details of a service department and measure real productivity. With the Time Control system, the dealer can identify the amount of labor hours available in the service department, and then manage and sell them properly.

Once the dealership knows exactly how many hours can be sold in a day, time is budgeted for each RO, the technician's time is pre-planned daily and work is scheduled by appointment. There is systematic follow-up on time allowed for a job, the status of each repair and the actual time taken. The dealer knows at a glance what is going on in the service department at any given time.

With the Time Control System, low productivity is spotted and corrected, and technicians have an opportunity to make more money. Internal repair orders for new and used cars are completed on schedule, and service writers can spend more time with each customer, improving the accuracy and profit of each RO.

### 20 Groups

Joining an NADA 20 Group often means more profits. According to NADA studies, the average 20-Group dealer's profits are better than other franchised dealers. Not only do dealers benefit from the close



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scrutiny of their business's performance that takes place at 20-Group meetings, they get the chance to share new ideas with their peers.

A major part of each 20-Group meeting is devoted to studying members' composite financial reports, which analyze the profit performance of each department. Results are compared among group members. Broken down in detail are figures on new- and used-car sales, parts movement, service volume, body shop operations and other key departments. Each member receives a monthly composite as well as two special studies per year.

To serve dealers' changing needs, NADA offers three 20-Group programs—regular 20-Groups, Chain Dealer Internal Management Report and Limited Volume (Mini-Groups). The Internal Management

Report (IMR) program is tailored to the chain dealer with three or more dealerships. The program includes management team seminars and a special computerized statement that compares dealerships selling different makes of vehicles.

NADA's Limited Volume program is designed to meet the needs of smaller volume dealers selling fewer than 400 units annually. The program provides dealers with virtually the same performance analysis services as 20 Groups, but on a smaller scale.

#### Estate Planning

Automobile dealers are faced with many important business decisions every day, and one that is often postponed is the status of their estate plan.

While most dealers can tell exactly what they own and exactly what they owe at any particular time, far fewer can tell exactly where those assets would go if something were to happen to them.

NADA's Estate Planning Department was established to help those dealers who are not exactly sure about the future of their assets. Working only with automobile and truck dealers, the department's thoroughly trained, salaried employees can focus their knowledge and sensitivity to dealers' special needs.

The department will advise dealers on specific problem areas such as stock purchase agreements, recapitalization and dealership continuation. The staff can help dealers secure or evaluate personal financial services, life insurance portfolios and employee fringe benefits.

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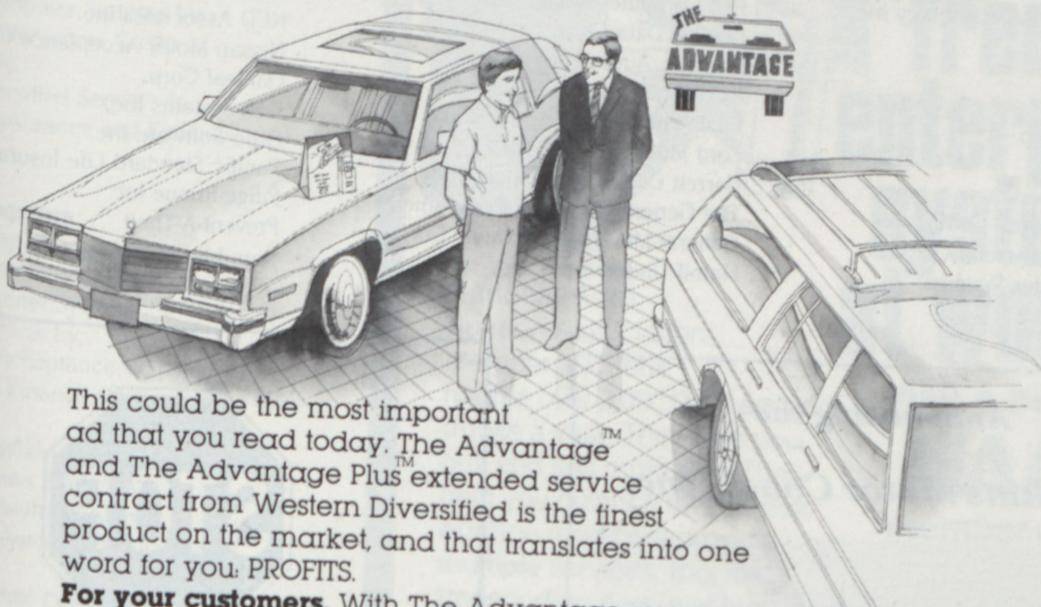
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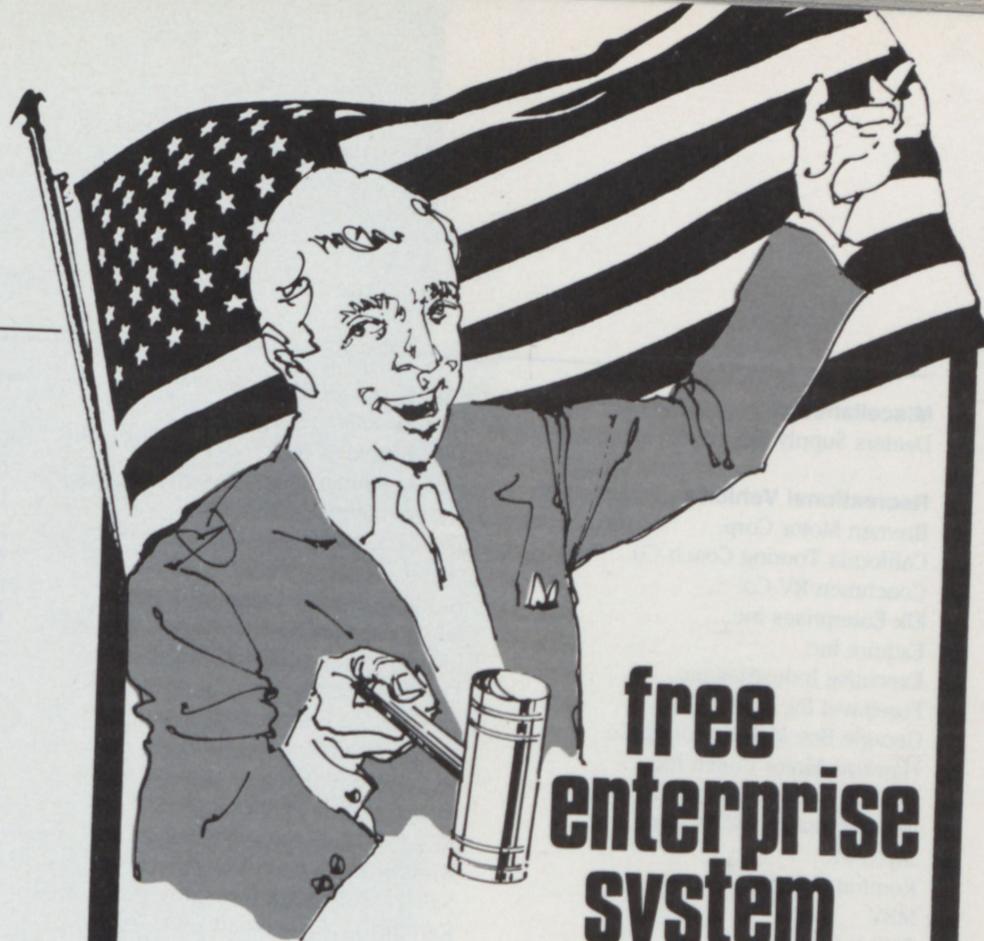
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# SERVICE/PARTS/ BODY SHOP



SERVICE/PARTS/  
BODY SHOP

INDEX OF  
SUPPLIERS

THE BODY SHOP

## SERVICE/PARTS/ BODY SHOP



Once overlooked, the backshop areas—service, parts and body—are now being viewed as increasingly important to a dealership's total profit structure.

By Ron Joffe

## SERVICE SURVEY REFLECTS INDUSTRY'S EXPANSION

**D**uring the days of the sales doldrums, many dealerships were kept alive by increased service and parts volume, generated in part by customers keeping their cars longer. This made dealers aware of the significance of the service department, and they began to purchase more equipment and increase employee training. Sales have now bounced back, but the significance of the service department remains. Well-run service departments retained the customers who came in during the "bad days," while adding to their base with new sales customers. Increased service have also added to volume, as has the decrease in "outside" repair shops.

We should remember the lessons learned in the past few years and use them to plan our future, so when hard times do return, we will be better prepared. I say "when hard times return," as opposed to "if hard times return," because history has shown that our industry is cyclical.

What have we learned from the past? What are we doing to secure our future? I tried to obtain the answers to these questions and many more with the "Service Survey" column published in *Automotive Executive's* April 1985 issue.

The responses to this survey were overwhelming. More than 1,000 readers either sent in responses or called me directly. On the mail-ins, if the answers were not

clear, I called the dealerships for verification. The survey results are significant for several reasons. They are accurate and complete, due to the excellent cross-section of responses. The fact that 1,000 of the approximately 24,000 franchised dealers in the U.S. responded gave us a good sampling.

I found that in general, responses were optimistic. Confidence levels are running high and expansion of service departments is on many drawing boards. Outside consulting company services are on the decline while supervisory training is increasing. Interest in consumer satisfaction is on the rise and more sophisticated service systems are being used.

There is a saying in our business that "90 percent of the cars are sold by 10 percent of the dealers." This statement reflects the fact that we usually only hear about the handful of very large dealerships. We tend to forget about the

thousands of smaller stores that dot the countryside. But the average dealership in this country (according to this survey) employs 10 technicians, and it's the smaller stores that keep this average low.

The average dealership employs two service writers, indicating a slight overstaffing in supervisory positions. Compared to the recommended industry standard of one supervisor for every seven or eight people, this figure is definitely high. There was no way to determine from the survey responses just what functions these service writers had other than normal duties. It is possible that in smaller service departments the service writer also is responsible for warranty coding, quality control and technical diagnosis. If this is the case, then it's not necessarily overstaffing.

The average service department writes

42 repair orders per day. This number divided by 10 technicians translates to just over four cars per technician per day. Service writers at the responding dealerships are a little slow compared to recommended industry standards (25 repair orders per day, per writer), because they only write 21 each. Dealerships complete an average of 35 repairs per day, or 84 percent of all ROs. (Repairs in this case are complete repair orders, not repair lines.)

The question about service marketing programs revealed some surprising answers. Even with business continuing strong, 66 percent of the respondents said they have a formal merchandising program. The most popular programs by far are the manufacturer-subsidized mailers. Second in line are newspapers ads and third are dealer-generated direct-

mail programs. Thirty percent of our survey respondents said they don't have a campaign, and 4 percent did not respond to the question at all.

Consulting companies are in trouble! Eighty-five percent of the responses indicate that outside consultants have not been, or will be, used. In fact, this question generated some very unusual responses. Many dealers wrote notes on their responses telling why they won't use outside consultants, and some of these notes bordered on hostility.

The most common objection was that most consultants have never worked in a retail position and therefore have a hard time relating to daily operations. The second most common complaint was that "consulting companies are great at telling you what's wrong and how to correct it, but then they present you a bill and say

## Nifty Ideas

1

**Service merchandising.** Give each new-car buyer a free oil change agreement, good for as long as the customer owns the car. In addition, send all new-car buyers in your area whom you did not sell a free oil change card. This free oil change is a good primary service promotion.

2

**Body shop flier.** Prepare a windshield flier to develop your body shop business. Send one of your body men out on the street to place your flier under the windshield wiper of cars needing body work. Repeat this campaign whenever your body shop business needs a boost.

3

**Service due.** Make sure every new, used and just serviced car gets a card with the date it should be back for service.

4

**Service clinic.** Advertise a free service check in your local newspaper. Include the name, address and phone number of your dealership, explain what points the free check will cover and note that a written report will be presented to the vehicle's owner upon completion of the test and a price quoted for the work needed. Stress that customers must call in advance for an appointment.

Plan the clinic for a Saturday morning. One week before the clinic, mail out a

copy of the newspaper ad to your regular service customers. Conduct a meeting before the clinic, explaining the procedures to be used and the pay plan for that morning's work.

While customers are waiting, the sales force can offer demonstration drives and brochures. The following Monday, mail out letters offering a free oil and filter change to those participants who have the diagnosed problems corrected in your shop.

5

**Non-prime time.** Most service departments have slow times. Sell these hours at a reduced rate, on a by-appointment-only basis. Such special discount rates can keep your shop busy all the time.



Mr. Dealer, will you spend 15 minutes of your valuable time to learn how to add \$40,000, \$50,000, even \$100,000 to your bottom line with **NO CAPITAL INVESTMENT**.

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You have nothing to lose and a whole lot to gain by sending the coupon below. (The film stars super car salesman Jackie Cooper)

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hope to see you again." The problem is that many consultants don't provide enough training to dealership personnel to allow them to continue after the consultants leave. There are, of course, consulting companies who are competent and a credit to our industry. It is unfortunate, though, that bad consultants seem to outnumber the good and therefore lower people's opinion of the industry.

#### Meeting Increasing Demands

There are many ways dealers plan on meeting increased service demands. I found it perplexing that in these times when skilled technicians are becoming increasingly harder to find, and fewer young people are being attracted into the field, 85 percent of the respondents said they intend to meet increased business by hiring more technicians. Please call me and let me know where you're going to find these technicians. I need them myself and would like to share the information with everyone else!

The most expensive response to how to meet higher demand involves expanding the physical plant. Some of the dealers may have been planning this change anyway, but it seems to be a rather costly answer, considering the alternatives. One alternative is to increase shop hours. Thirty-three percent stated they plan on either putting on a second shift (full or partial) or instituting a four-day work week.

The four-day work week involves 10-hour work days. Under this system, scheduling becomes critical. Scattering the extra day off during the week means you have to make sure you leave enough skill in the shop to cope with demand. There is also a lot of controversy surrounding the productivity of the two extra hours. Most technicians have had it after an eight-hour day. And while Saturday and evening service hours are very effective in absorbing some extra workload and also are a good sales tool, they are difficult to successfully administer.

I was surprised that only 8 percent of the respondents said they planned to meet the challenge by increasing technician productivity and efficiency, because

## "Increasing technician productivity and efficiency is an area that is easy and cheap to attack."

this is an area that is easy and cheap to attack. Some areas to look at are increasing technical training, increasing service writer training, improving parts inventory, upgrading parts personnel skill levels, decreasing the difficulty in locating tools, improving morale and systemizing wherever possible.

Systems can solve many problems. They make teaching new employees easier, make everyday operations easier and usually result in increased profits. The most common system, according to the survey, is the service appointment system. Eighty-two percent of dealers operate this way.

There is, however, no way to tell how many of those 82 percent run their service department workload purely by appointment. That method is usually a mistake, because you don't allow for emergencies or "gravy walk-ins." I have found it turns out just about right if you schedule about 90 percent of your work. By the time you deduct no-shows, and add emergencies and walk-ins you will probably come out with an accurate workload. Remember that according to this survey, 84 percent of repair orders written are completed. With accurate forecasting and scheduling you should bring that figure up over 90 percent.

Variable retail rates scored a low 26-percent response. Variable rates are difficult to administer but can yield gross profit on labor in the 75- to 80-percent range. Although most service departments stay away from them because they can be confusing, many manufacturers recommend their use. When the manufacturer figures out what your warranty labor rate will be, it averages out your variable rates, weighs in how many repairs at various rates and comes up with a figure.

#### Quality, Tools and Training

Quality control received a surprisingly low 54-percent response. A formal "QC" system is equivalent to fire prevention. Seventy-eight percent of respondents do, however, employ a customer-service

"firefighter" to follow up on service work. The vast majority of queries are done by response cards left in cars, second comes phone calls and finally mailed questionnaires.

Dispatching work into the shop is a critical factor in effectiveness. Fifty-three percent of the dealers dispatch by priority, 50 percent by skill level and 2 percent said by "other" (although they did not indicate what "other" meant).

The totals are over 100 percent because many dispatch by both priority and skill level. Skill level is the most accurate method, and it is the one programmed into all computer dispatch systems.

Acquisition of tools and equipment was heavily slanted towards the manufacturers' programs. Eighty-four percent stated that manufacturers are the main source of their equipment needs. Independent stores, such as local parts houses, received second-place honors with a score of 62 percent. I called several respondents who indicated independent sources as their first choice to ask them why. The resounding answer was that the needed items were in stock or could be obtained shortly. Roving tool trucks that come to the dealerships scored a 27-percent share. Their prices usually run higher and limited space on the truck usually means they have to deliver the tool next time. Other sources for tools scored 7 percent.

The longevity of service managers on the job was quite interesting. Only 18 percent of the service managers have been on the job less than one year. One to three years scored a whopping 37 percent, three to five years a mere 12 percent, and over five years a strong 30 percent. It appears there is a crisis period at the three-year mark, but if managers make it to the five-year mark, turnover decreases.

At three years, service managers have been on the job long enough to stabilize and probably have started to think about the job differently. Unlike the first couple of years when they are busy correcting all the major problems and running at a fast pace, they now have to slow down and momentarily, reassess the situation and attack the remaining deficient areas. It is

at this critical juncture that many service managers don't know what to do. So they change jobs and start all over again doing what they know best—tackling the major faults. The few who make it through to five years will probably retire on the job.

Increasing factory warranty coverage received a resounding positive vote as being helpful to service business. A landslide figure of 81 percent said they approve of the move by the factories, while only 19 percent thought it would hurt service business.

Training is the foundation for the future. Business is so sophisticated and cars so technical that it's imperative to have a formal and complete training program. I was rather surprised to find out the 77 percent of service managers receive some type of training on a regular basis. This is a very high figure and reflects the commitment of dealers to progressive service departments.

Service writers fare only a little better in terms of training at 79 percent. This figure should be higher because of the importance of that position.

Technicians naturally scored the highest on training, with 97 percent receiving a regular regimen. The remaining 3 percent work for dealerships that must be losing business.

Every position in the dealership should have a "measuring stick" to allow for an accurate accounting of the position's effectiveness. Forecasting should be based on accurate past performance, and the financial statement is the best resource. Out of all the respondents, 98 percent said their service managers had access to the service part of the financial statement. The 2 percent that did not share the information with their service managers included some very large dealers. I called a couple of them and they felt that "DOC" (daily operating controls) sheets were sufficient for the service manager's needs.

#### Interface With Parts

Our respondents reported that 19 percent of service managers are also responsible for the parts department. There are many similarities between the body shop and

service department, and perhaps that is why 28 percent of the service managers oversee the body shop as well. To be effective in a director's position you must have at least an assistant in each department and possibly separate managers. Physical plant, size of operation and individual qualifications are the most important factors to consider when deciding whether to promote a service manager to service director, responsible for parts and service.

These survey results give you an idea of where you and your dealership stand compared to other dealers. Perhaps they will motivate you and your staff to rethink some present policies. ■

*Ron Joffe, a dealership service director in Trenton, NJ, is a regular contributor to Automotive Executive. The opinions expressed are those of the author, and do not necessarily reflect those of NADA, NADA Services Corp. or Automotive Executive. All suggestions or comments should be mailed to: The Service Department, Automotive Executive, 8400 Westpark Drive, McLean, VA 22102.*

## BODY SHOP OPPORTUNITIES

**T**he body shop can be one of the more difficult departments in a dealership. If not properly managed, it can be a serious drain on profits. For many dealers, however, having a full-service store requires having a body shop. Still, the dealer has a choice. He can ignore the body shop and live with the losses or he can make a serious investment in time and money and establish the body shop as a primary profit center that also pays off in good customer relations and future business for the entire dealership.

#### High Profit Potential

In 1983, the collision repair market generated sales of over \$8 billion. The two primary players in the market are independent body shops and dealerships. In

recent years, however, the number of dealership body shops has declined markedly, from nearly 20,000 in 1977 to less than 16,000 today.

Precipitating this decline were two major changes in the body shop business. Unibodies now predominate in the market and require new and expensive equipment to be properly repaired. Also, the number of models currently in the U.S. market has proliferated, significantly complicating the business.

So, as business has become more complex and more expensive, some dealers have dropped out. Nonetheless, for the well-run, modern body shop, the potential for profit remains high.

And that profit can be spread through almost every department in the store, as a quality body shop significantly improves customer relations. Customers who are pleased with the body shop tend to return to the dealership for other services, such as mechanical repairs and new- and used-car purchases. Further, a dealership body shop can increase parts department sales and gross profit and even improve used-vehicle grosses. Autos repaired at the dealership body shop and later traded in often bring higher prices for the customer and higher mark-ups because the quality of the work is known.

All these benefits do not come without serious effort on the part of the dealer, the body shop manager and staff. The body shop must be an aggressive, active department, not just a dealership convenience. It must be a separate profit center that stands or falls on its own.

The body shop cannot wait for business to be towed to the shop doors. It must aggressively solicit business and then provide quality, timely work to keep it. Potential sources of business that every body shop should solicit include insurance companies, independent vehicle lots, fleet operations, municipalities, customized vehicles and deterioration repairs.

#### Keys to Profit

The first step to body shop profitability is control of gross-profit generation. A

## Increasing technician productivity and efficiency

### Body Shop

high gross will not produce a profit unless expenses are controlled. Expenses in the body shop can be divided into direct expenses, which can be controlled, and semi-fixed expenses, which cannot be directly controlled. By trimming and eliminating direct expenses, such as labor and material costs, body shop efficiency will be increased and net profit improved.

In 1982, NADA reviewed the financial statements of more than 660 dealership body shops to determine the keys to a successful operation. While some of the actual figures may now be outdated, the principles behind the numbers still hold true.

The most significant difference between profitable and non-profitable body shops occurred in their expense struc-

tures. Non-profitable body shops had markedly higher expenses. In its review, NADA found that the average non-profitable body shop's expenses were 56.4 percent of annual sales, whereas the profitable body shop's expenses were only 39.7 percent. Even if the non-profitable shops had earned a gross profit percentage as high as that of the profitable body shops, they still would have lost money, because of higher expense structures.

While profitability is not assured after a certain level of sales has been reached, NADA found that profitable body shops had achieved a total sales level that was approximately 53 percent higher than non-profitable shops. The point where body shops tended to break even was somewhere between \$300,000 and \$400,000 in annual body shop sales. But even in body shops that earned over \$500,000 in annual sales, 31 percent were still unprofitable.

There was also a significant difference between the productivity of profitable and non-profitable body shops. For each dollar invested in fixed expenses, profitable body shops generated \$10.25 in total sales, while non-profitable shops generated only \$6.53.

Finally, profitable body shops performed 3.6 percent more repair orders per employee and had 4.6 percent greater dollar sales per repair order than did non-profitable repair shops. These two factors alone combined meant that profitable body shops had an 8.2 percent higher level for sales per technician.

#### The Insurance Companies

Like any dealership department, to be profitable the body shop has to have customers. Unlike other departments, the body shop's principal customers are not vehicle owners but insurance companies. They pay the bills and they are the repeat customers. To be successful, the body shop has to maintain a good relationship with the insurance companies.

Though insurance companies at the national level refrain from making recommendations, most local offices are free to offer customers a "laundry list" of body

shops in their area. These recommendations are usually based on availability of equipment. Therefore, it is important for body shops to keep local insurance contacts informed about changing service, training, costs and equipment.

Obviously, the most important thing a body shop can do to maintain a good relationship with insurance companies—and vehicle owners—is to provide complete and accurate estimates followed by quality work done in a timely manner with no surprises. This alone will ensure a good volume of work. There are, however, other services body shops can provide to insurance companies to maintain a good business relationship.

Successful body shops make sure they have a professional office and shop appearance. They also have diagnostic equipment and office space at the disposal of the insurance adjuster so he can work quickly and easily. Some body shops even have direct phone lines for data transmissions by the adjuster.

Another service many body shops now offer is the taking of pictures of additional work to speed work approvals. Several benefits accrue if the insurance adjuster will accept Polaroid pictures of the additional work required and parts removed. The job will not be held up, the customer will get the vehicle quicker, customers' claims to equipment they originally had on the vehicle can be verified/disproved and the adjuster need not make a special trip for authorization.

The body shop manager can further improve the relationship with insurance adjusters by preparing his own estimate of damage when a vehicle first arrives in the shop. After the insurance adjuster has written his estimate, the results should be compared. If the body shop manager does a fair, accurate job, eventually the insurance adjuster may come to rely heavily on the body shop manager's estimate when writing his own.

The area where the relationship between the body shop and insurance companies is most often strained is payment for work performed. Perhaps in no other dealership department are overdue payments so common. Two frequent causes

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are insurance companies holding up payment for any one of a myriad of reasons or uncertainty about which party is responsible for payment. In any case, the one who gets hurt is the body shop.

Solving these problems is relatively simple. First, and most important, the method of payment should be decided at the time of the write-up. Two good payment methods are billing the insurance company directly or having the customer arrange to have the insurance company release signed and returned to the dealership.

#### Keep the Paper Flowing

Consistent and strong recordkeeping policies should be installed throughout the body shop, not only in billing. Most successful body shops use an appointment scheduling system. While there is no single best scheduling method, a formal system is necessary because managers tend to underestimate the workload. (Guide: a six- or seven-workday backlog is the maximum for an average body shop.)

A good scheduling system maintains a record of every job in the shop and follows each job from work authorization through completion, quality check and delivery. It should include a dispatch log and a daily backlog.

Body shop repairs generate a larger and more varied paper flow than do mechanical repairs because insurance companies with different regulations are involved and the bill may be paid from more than one source. Car rentals and mechanical shop repair orders also may be involved. Therefore, a good recordkeeping system with tight and consistent control is a must for a smooth-running operation.

An important, but often ignored, addition to a body shop's paper-flow system is a provision for customer follow-up after the completion of repairs. Either over the phone or through the mail, every customer should be contacted. If customers are satisfied, they should be asked for referral business; if not, problems should be resolved. The long range objective of this customer follow-up is to keep the

## "An important addition to a body shop's paper flow system is a provision for customer follow-up after the completion of repairs."

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interest of the customer for new-vehicle sales in the dealership.

#### Unibodies and Equipment

The drastic increase in the number of unibody vehicles has brought about a revolution in the body shop business. In 1979, 2.3 million cars five years or newer were unibody; today it is estimated that unibodies comprise 87 percent of vehicles coming into the shop for repair.

Unibody construction presents great opportunities for the body shop, as well as problems. Panels are thinner than on frame vehicles and panel straightening is more difficult. Today's steel cannot be welded, hammered or heated in the traditional manner without sacrificing strength. Usually there is more serious damage when a collision occurs, and the entire vehicle must be returned to the original specification if it is to be driven safely.

Many times the same equipment used to repair frame vehicles can also be used to repair unibodies, but not necessarily at a profit because more labor hours and skilled technicians are required. Thus, modern, often expensive equipment is necessary.

In an NADA 20-Group survey taken about two years ago, dealers estimated that the minimum expenditure for opening a body shop would be \$100,000; given the increase in equipment prices in the past two years, that expenditure would certainly be higher today. To have a well-equipped body shop, a dealer would have to have, at the very least, dimensional corrections equipment (a bench system), an air compressor, air equip-

ment, a spray booth, floor jacks/lifting equipment, wheel alignment and balancing equipment, tire changing equipment, brake equipment, engine analyzers, battery chargers, car-moving equipment, OSHA safety required items, an air conditioning system and special tools.

Of course, new equipment is only practical when it matches the production needs of the shop. So in starting up or retooling, dealers should move slowly, gauging equipment needs with business trends.

One piece of equipment that any modern body shop cannot be without is a computer. Using either the dealership computer or a separate system, the body shop can computerize its scheduling, invoicing and estimating. Computer estimates and supplements often save shop downtime and increase accuracy. Some systems also include job costing, productivity, payroll functions and a time clock.

#### The Final Puzzle Piece

All the aforementioned time and investment will be wasted if a dealer does not have a good body shop manager. Managing a body shop requires many different abilities, the most important of which is integrity. Personal integrity is stressed constantly when insurance companies, customers and dealers rate the characteristics they prefer in a body shop manager. In fact, many dealers believe it is not necessary to have a manager in the body shop with prior body shop experience. They believe it is easier to take someone with management ability and experience and teach the necessary body shop skills. A body shop manager must be a "people person," working successfully with technicians, insurance adjusters and vehicle owners.

Should every dealership have a body shop? Obviously not. Some dealers don't have the time or money to invest in establishing a modern, efficient, profitable body shop. But for the dealers who have the capital and the inclination to either start a body shop or to retool to either one, the body shop can be one of the most exciting and profitable departments in the entire dealership.

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## MAXIMIZING PARTS WHOLESALING

**B**ill Lake Buick in Cleveland, OH, first became active in the wholesale parts business eight years ago, when monthly parts sales were about \$16,000. Today, the dealership runs the largest wholesale parts business in Ohio, with \$225,000 per month in parts sales, of which \$150,000 are wholesale. And Bill Lake believes that today, just as eight years ago, wholesale parts is a good business to get into.

"Only 150 GM dealers in the U.S. last year collected over \$100,000 in wholesale comp," Lake says. "So, out of 10,500 GM dealers, only 150 are really active in wholesale parts. That leaves a lot of room for expansion if somebody wants to get into the business."

### Getting into the Business

Lake says there are three keys to maximizing wholesale parts business.

"The first and most important step is hiring the right parts manager. That's the key. If you're in the parts business and you have the wrong manager, everything will be downhill, because succeeding in the wholesale parts business doesn't mean just having a whole lot of parts, it means having the right amount of the right parts."

Where can dealers find good parts managers? Lake suggests two sources—the traveling computer reps and the factory parts reps.

"They know who has the best parts managers, and more importantly, they know who has the best assistant parts managers."

Second, Lake says, dealers have to make a financial commitment to expand parts inventory.

"You have to decide that you're going to dedicate some extra money to the parts inventory instead of to used or new cars," Lake says. "And once you've done that,

you have to make the decision on how you're going to expand."

Lake expanded his dealership's parts inventory one part at a time, using a computer that determined what parts were needed and how many.

"I don't think you can go out and buy a bulk load, because you won't know what parts you need," he says. "You have to increase your business before you increase inventory."

Lake also stresses that parts inventory should be "pure;" old or odd parts shouldn't lie around gathering dust.

"The final thing you have to do," Lake adds, "is ensure there is enough space to expand your parts department. If you don't have the facilities or you can't get them, you will have problems expanding your inventory."

### Good People Equal Success

"I agree you need a strong parts manager," says Charles McCann, parts sales manager for Bill Lake Buick, "but I don't know of any operation that runs solely with a good parts manager. You've got to have a good staff. You need properly motivated people and you have to spread responsibilities around. If the parts manager leaves and the whole place grinds to a halt, too much emphasis has been placed on the parts manager."

McCann believes that to attract and keep good people, the parts department has to have "a realistic pay plan."

"If you pay them on the entire operation, they know they share in expenses just as they share in profits," he says. "We pay people on gross and net profits, because that way they're always going to get something, but they also know that waste and a mis-run department will diminish their paychecks."

### The Right Equipment

In the business end of the parts department, McCann says a good, up-to-date automated inventory control system is vital.

"A lot of car dealers buy automated inventory control systems but don't know what they're buying," he says. "There are many things to consider when buying a

system. It is not merely for posting sales and receipts. These systems are so sophisticated they can tabulate things like lost sales, emergency purchases, part change numbers and phase in/phase out criteria."

Of course, McCann adds, system operators must be well-trained and competent.

One final tip from McCann. The parts department should be easy to reach. Direct phone lines are fine at first, but as the operation expands, toll-free numbers—either on a state or nationwide basis—become necessary.

"Be sure employees answering those phones have good phone etiquette," he says. "One way to check on that is to call your parts department pretending to be John Q. Public. See what kind of response you get. Your people must have a good attitude. They have to appreciate the business and they have to project that to the customer."

"Remember, parts are parts. Your fenders, your bumpers aren't any better than anybody else's. You have to give someone a reason to knock on your door."

"So have the right price, the right people and the right part, and you won't have to cut price," McCann says. "There's money to be made in the parts business, but it depends on how you run your operation."

### An Exciting Profit Center

"Our parts department is the most exciting aspect of our dealership," says Jerry Richardson, president of Dub Richardson Ford in Oklahoma City, OK.

In 1984, Dub Richardson Ford generated about \$8.3 million in total parts sales, about \$7 million in wholesale parts and \$2.3 million in wholesale gross. On a monthly basis, the parts department averaged about \$575,000 in wholesale parts sales with about \$125,000 in gross. That's about a 22-percent return.

To do this, Jerry Richardson said he carries over \$2 million in parts inventory.

"Inventory is the name of the game," Richardson says. "We have the reputation of having the part that no one else has, and I like that reputation. Conversely, I

## Parts

don't want to keep that reputation to the point of stocking totally obscure parts, but we do keep old and unusual parts because they bring customers in."

Richardson buys a large percentage of his parts on a stock order pad, thereby saving up to 5 percent on purchases and receiving both free freight and obsolescence credit.

"The obsolescence credit is extremely important to us," Richardson says. "We generated over \$430,000 in obsolescence credit last year. You have to have that credit because you have to move those parts out."

Another extremely important area is customer service.

"We go on the premise that one call does all," Richardson says. "If you call me for a part and I don't have it, I'll look all over until I find it, because if someone else finds it for you, you might go straight to them next time."

Richardson's parts-department personnel call all their customers daily. In addition, the salesmen do outside solicitation, calling on their customers and looking for new ones.

Within the dealership, Richardson stresses comprehensive warehouse control. All parts are posted with bin location and there is an easy-to-read locator sheet.

"If you call and order a part, the parts person writes it up and takes it to a central location where the stockpeople pick it up," he says. "They pull the parts and take it to our shipping area where we have two checkers. All they do is check each order that goes out to make sure the part is good and the invoice is correct."

### Beware The Low Mark-Up

Keeping waste at a minimum and costs down are critical in the wholesale parts business because it is run on a fairly low percentage mark-up.

Richardson sells parts to local dealers at a 15 percent mark-up. To Ford dealers outside Oklahoma City, he charges a 20 percent mark-up, but pays the freight if the purchase is over \$400 out of stock. All other customers are sold at 25 percent mark-up, but Richardson says that is

negotiable, depending on competition and the customer.

Richardson also has a very simple, strong return policy.

"Anybody can return any part, any time," he says. "We only ask that they send the invoice back with the part and that it comes back to us in the same box. If it's our mistake, we pay the freight; if it's their mistake, we ask them to pay. This program really builds up goodwill."

Richardson is also proud of his credit policy. New accounts are based upon the personal credit of the shop owner, and Richardson prefers the owner to have been in business for two years before extending any credit. There are also several categories of credit for different groups of customers.

Dub Richardson Ford's parts department has about 1,600 open accounts, all unsecured, and bills between 1,200 and 1,300 statements each month. Ten to 15 percent of the business is done with body shops, 70 percent with new-car dealers and the remainder with garages and national fleets.

"This is a very credit-intensive business," Richardson says. "Mark-up is small, so you have to watch the people you sell to. If the customer is not credit-worthy or doesn't pay his bills, even 100-percent mark-up isn't enough."

Counterpeople serve as liaisons between the customers and the parts department. Richardson has 15 counterpeople. They are all paid on a commission basis, similar to the way automobile salespeople are paid. They receive 25 percent of the gross on what they sell, plus an incentive.

"Our parts counterpeople do a lot better follow-up than do our auto salespeople," Richardson adds. "If the auto salespeople did half the follow-up that these guys do, I know sales would double. And the pay these guys get shows it. As a whole they make a lot more money than the auto salespeople. My top parts guy last year made over \$55,000."

### Needed: Aggressive Management

Personal service and competitive pricing are obviously two of the more important

parts of the wholesale parts business, but according to Greg Witt, office manager for Dub Richardson Ford, it is not enough just to know that—a successful wholesale parts operation also has to be aggressive.

"We buy a lot of parts from independent jobbers rather than from manufacturers," Witt says. "We usually save about 30 percent on these items, and we pass those savings on. It makes us competitive with independent sellers down the street."

"We also buy a lot of direct distributor items, from people like Bendix and Wagner, thereby saving in discount costs from the retail price that the other manufacturers would charge. Having these discounts always allows us a first sale over our independent competitors."

Dub Richardson Ford also buys special items in large quantities at certain times of the year as sales incentives. In the winter, the dealership promotes items such as heater cores and antifreeze; in the summer, it buys truckloads of air-conditioner kits and freon; and springtime is for air- and oil-filter promotions.

"These items always give us something to draw customers to our dealership and also allow our salespeople to contact customers with something new to talk about," Witt says. "These captive items are not high profit, but they are a drawing card. Once customers call you, it's easy to sell them something else."

Luring customers to call is the prerequisite to success, and Witt says the parts department is always searching for new ways to pull in customers.

"Educating customers where to call and being able to service them when they do is the hardest part of this business," he says. "Anyone can increase inventory and anyone can sell it, but you have to have customers to buy the parts. We always try to keep our dealership name in front of each customer with items they frequently use. Our advertising pads away, such as hats, pens, scratch pads and lighters, have been really effective selling tools for us. The cost of these items is minimal compared to the long-range effect they have when customers use them everyday."

Entering the wholesale parts business requires a large initial investment and long-term dedication. If a dealer accepts these preconditions, he can enter into an exciting money-making enterprise that could be one of the largest profit centers in his store.

Based on a workshop presentation at the 1985 NADA Convention. Edited by Gerry Donohue.

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| Circle # | Advertiser                         | Page    | Circle # | Advertiser                        | Page  | Circle # | Advertiser                       | Page    |
|----------|------------------------------------|---------|----------|-----------------------------------|-------|----------|----------------------------------|---------|
| 1        | ADP Dealer Services                | 46      | 21       | Dyatron                           | 53    | 41       | National Hole-In-One Association | 56      |
| 2        | ARA Manufacturing Co.              | 40      | 22       | ECP-Auto Arnor                    | 9     |          |                                  | Cover 4 |
| 3        | Admark                             | 60      | 23       | E&G Classics                      | 36    | 42       | Oakleaf                          | 25      |
| 4        | All-Weather Protectors             | 81      | 24       | Elsco Lighting Products           | 4     | 43       | PS NADA                          | 90      |
| 5        | American Hardware Mutual Insurance | 25      | 25       | Ford ESP                          | 12-13 | 44       | Paige-Ruane                      | 54-55   |
| 6        | American Sunroof Co.               | 59      | 26       | First American Warranty           | 70    | 45       | Reynolds & Reynolds              | 1       |
| 7        | Audiovox                           | 43      | 27       | General Electric Credit Corp.     | 46    | 46       | Saginaw Steering                 | 76-77   |
| 8        | Automated Doors                    | 78      | 28       | The General Group of Companies    | 6     | 47       | Security Pacific                 | 109     |
| 9        | Beneficial Insurance               | 57      |          | General Motors Acceptance Corp.   | 48    | 48       | Snap On Tools                    | 103     |
| 10       | Benwil Industries                  | 85      |          | Hawkins Motor Coach               | 68    | 49       | Shure Manufacturing Co.          | 52      |
| 11       | Borg-Warner Acceptance Corp.       | 107     | 29       | Heritage                          | 2     | 50       | Sports Achievements              | 114     |
| 12       | Broadway Equipment Co.             | 80      | 30       | Invitational Promotions           | 90    | 51       | Starcraft                        | 63-66   |
| 13       | Car-O-Liner                        | 97      | 31       | JW Lighting                       | 87    | 52       | Supra Products                   | 83      |
| 15       | Chase Manhattan Bank               | 101     | 32       | Krex                              | 49    | 53       | Thermo-Guard                     | 15      |
| 16       | Classy Chassis                     | 84      | 33       | Manheim Auctions                  | 61    | 54       | Time Inc.                        | 41      |
| 17       | Daubert Industries                 | 85      | 34       | NADA Seminars                     | 100   | 55       | Trim-Line                        | 86      |
| 18       | Design Tech International          | 86      | 35       | NADA Workshops                    | 10    | 56       | U-Save Auto Rental               | Cover 2 |
| 19       | Detroit II                         | 60      | 36       | NADIT                             | 23    | 57       | Universal Underwriters           | 44      |
| 20       | Display Data                       | 20      | 37       | NAISA                             | 29    | 58       | Vernco                           | 89      |
|          |                                    | Cover 3 | 38       | National Auto Auction Association | 104   | 59       | Western Diversified              | 75      |
|          |                                    |         | 39       |                                   | 130   | 60       | Wheelways                        | 56      |
|          |                                    |         | 40       |                                   | 91    | 61       | Xycor                            |         |

# INDEX OF SUPPLIERS





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## INDEX OF SUPPLIERS

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**E**

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**FMC Corp.**  
Industrial Park  
Exchange Ave.  
Conway, AR 72032  
(501) 327-4433

**F&I Management Corp.**  
777 Mercantile Parkway  
Arlington, TX 76011  
(800) 527-1984

**FRB Associates**  
22961-E Triton Way  
Laguna Hills, CA 92653  
(714) 951-3242

**Fallucca Industries**  
523 W. Rialto Ave.  
Rialto, CA 92376  
(714) 874-8384

**Faza**  
2538 S. Ridgewood Ave.  
Daytona Beach, FL 32019  
(904) 767-1444

**Federal Sign**  
3015 Ave. E  
East Arlington, TX 76011  
(817) 261-2341

**Finance, Planning & Management**  
508 S. Royal Poinciana Blvd.  
Miami Springs, FL 33166  
(305) 887-6109

**First American Warranty Corp.**  
3100 Broadway  
Kansas City, MO 64111  
(800) 821-5546  
(800) 892-6032 (MO)

**Ford Extended Service Plan**  
3000 Schaefer Road  
Dearborn, MI 48121  
(313) 322-3312

**Ford Motor Co./Audio Products Group**  
17000 Rotunda Drive  
P.O. Box 6010  
Dearborn, MI 48121-6010  
(313) 322-6523  
(800) 367-3333

**Ford Motor Co./Rotunda Equipment Program**  
3000 Schaefer Road  
Dearborn, MI 48121  
(800) 762-6181  
(800) 762-6182 (MI)

**Ford Motor Credit Co.**  
The American Road  
Dearborn, MI 48121  
(313) 845-8166

**Foretravel Inc.**  
1221 NW Stallings Drive  
Nacogdoches, TX 75961  
(409) 564-8367

**Framaligner Mfg. Co. Inc.**  
2113 Border Ave.  
Torrance, CA 90501  
(213) 320-7713

**Frigette Corp.**  
800 W. Risinger Road  
Fort Worth, TX 76140  
(817) 293-5313

## G

**GT Products**  
24781 Camino Villa  
Lake Forest, CA 92630  
(714) 586-8727

**Joe M. Gandolfo, PhD, ChFC, CLU & Associates**  
P.O. Box 6989  
5214 S. Florida Ave.  
Lakeland, FL 33807  
(813) 646-8586

**Gladiator Inc.**  
55135 CR 1, RR #8  
P.O. Box 2237  
Elkhart, IN 46515  
(219) 262-2633  
(800) 348-7400

**Global Concepts Ltd.**  
25327 Avenue Stanford  
Valencia, CA 91355  
(805) 257-0315

**Leon Shaffer Golnick Advertising**  
2817 E. Oakland Park Blvd.  
Fort Lauderdale, FL 33306  
(305) 563-5000

**Wm. A. Gore Co.**  
1834 Adeline St.  
Oakland, CA 94607  
(415) 893-7233

**Gorman Planning Co. Ltd.**  
P.O. Box 508  
Virginia Beach, VA 23451  
(804) 428-8111

**Goshen Cushion**  
1010 Eisenhower Drive  
S. Goshen Industrial Park  
Goshen, IN 46526  
(219) 534-3651

**Grabber Manufacturing Co. Inc.**  
Rte. 3, Box 13  
Brunswick, GA 31523  
(912) 264-1804

**Graco Inc.**  
P.O. Box 1441  
Minneapolis, MN 55440  
(612) 623-6723

**Greater Chicago Auto Auction Inc.**  
12055 S. Cicero Ave.  
Chicago, IL 60658  
(312) 597-3600

**Guardian Light Co.**  
5125 W. Lake St.  
Chicago, IL 60644  
(312) 378-2200

# H

**Hamil Underwriters Ltd.**  
P.O. Box 1407  
Black Mountain, NC 28711  
(704) 669-5785

**R. S. Harper Inc.**  
**Custom Coachbuilders**  
32639 Groesbeck Highway  
Fraser, MI 48026-3195  
(313) 294-2080

**Hawkins Motor Coach Inc.**  
1610 S. Cucamonga  
Ontario, CA 91761  
(714) 947-2512

**Hazco International Inc.**  
5301 Lee Highway  
Arlington, VA 22207  
(800) 237-1333

**Hein-Werner Corp.**  
1005 Perkins Ave.  
Waukesha, WI 53186  
(414) 542-6611

**Helmac Products Corp.**  
P.O. Box 73  
Flint, MI 48501  
(313) 239-7677

**Hennessy Industries**  
520 Lively Blvd.  
Elk Grove, IL 60007  
(312) 437-8063; (800) 323-0661

**Heritage Insurance Group**  
P.O. Drawer 3199  
Westlake Village, CA 91359  
(818) 889-2520

**The Hess & Eisenhardt Co.**  
8959 Blue Ash Road  
Cincinnati, OH 45242  
(513) 791-8888

**Hilco Inc.**  
27 Bank St.  
Hornell, NY 14843  
(607) 324-2292

**Hofmann Corp.**

12 Route 17 N., Suite 205  
Paramus, NJ 07652  
(201) 368-3939

**Holiday Rambler Corp.**

65528 State Road 19  
Wakarusa, IN 46573  
(219) 862-7211

**Hollywood Trim**

465 Stephenson Highway  
Troy, MI 48084  
(800) 544-0025

**Hon Computing Systems Inc.**

P.O. Box 23825  
Pleasant Hill, CA 94523  
(415) 676-2683

**Hunter Engineering Co.**

11250 Hunter Drive  
Bridgeton, MO 63044  
(314) 731-3020

**I****IAS Autec**

P.O. Box 246  
Catawba, NC 28609  
(704) 241-3109  
(800) 438-3028  
(800) 222-6817 (NC)

**IBM Corp.**

P.O. Box 2150  
Atlanta, GA 30055  
(404) 238-2829

**IC Engineering Inc.**

6635 W. Commercial Blvd.  
Suite 214  
Fort Lauderdale, FL 33319  
(305) 726-4181

**ITT Commercial Finance Corp.**

8251 Maryland Ave.  
St. Louis, MO 63105  
(314) 725-2525  
(800) 325-9590

**Incline Enterprises**

3400 De La Cruz Blvd., Unit J  
Santa Clara, CA 95054  
(408) 727-0384

**Innovative Time Corp.**

6054 Corte del Cedro  
Carlsbad, CA 92008  
(619) 438-0595

**International Vehicles Corp.**

200 Legion St.  
P.O. Box 424  
Bristol, IN 46507  
(219) 848-7686

**Interstate-National Dealer Services Inc.**

2169 E. Francisco Blvd., Suite G  
San Rafael, CA 94901  
(415) 454-7005  
(800) 526-0929

**Investors Warranty of America Inc.**

Perimeter 400 Center  
1100 Johnson Ferry Road NE  
Atlanta, GA 30342-1748  
(404) 257-8200  
(800) 553-0016

**Invitational Promotions Inc.**

6930 Owensmouth Ave.  
Canoga Park, CA 91303-2070  
(818) 999-6515  
(800) OK4-CARS

**J****J-Mark**

2790 Ranchview Lane  
Minneapolis, MN 55447  
(612) 559-3300

**JSM Auto Services Inc.**

11404 E. Imperial Highway  
Norwalk, CA 90650  
(213) 868-8251

**Jayco Inc.**

P.O. Box 460  
Middlebury, IN 46540  
(219) 825-5861

**Jet-Phillips Division/JW Lighting**

P.O. Box 45919  
Houston, TX 77245  
(713) 433-4511

**E. F. Johnson Co.**

299 Johnson Ave.  
Waseca, MN 56093  
(507) 835-6222

**Rusty Jones Inc.**

6200 N. Hiawatha  
Chicago, IL 60646  
(312) 794-8500

**K****KMG Main Hurdman-C.P.A.s**

One Wilshire Building, Suite 2700  
Los Angeles, CA 90017  
(213) 680-1810

**K. O. Manufacturing Inc.**

1339 N. Cedarbrook  
Springfield, MO 65808  
(417) 866-8000

**Kalglo Electronics Co. Inc.**

6584 Ruch Rd.-East Allen Twp.  
Bethlehem, PA 18017  
(215) 837-0700

**Kaminari Design Inc.**

515 W. Lambert Road  
Brea, CA 92621  
(714) 529-6399

**Kansas Jack Division/****Hein-Werner Corp.**

1101 W. First St.  
P.O. Box 1286  
McPherson, KS 67460  
(316) 241-0830  
(800) 235-5225

**Kenco Engineering**

P.O. 726  
Middlebury, IN 46540  
(219) 825-8479

## K

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**Kensett Distributors Inc.**

130 Dundas St. E.  
Mississauga, Ontario, Canada L5A 3V8

**Kent-Moore Tool Group,  
Sealed Power Corp.**

28635 Mound Road  
Warren, MI 48092  
(313) 574-2332

**Kleer-Flo Co.**

6970 Shady Oak Road  
Eden Prairie, MN 55344  
(612) 941-6710

**Komfort Koach Inc.**

5202 Crittenden Drive  
Louisville, KY 40213  
(800) 626-1565

**Kontax II**

5155 Mercury Point  
San Diego, CA 92111  
(619) 279-5559

**Krex Inc.**

89 Lincolnwood  
Highland, IL 60035  
(312) 433-4450  
(800) 323-9038

**Kwik-Ezee Inc.**

54 Brooklyn Ave.  
Westbury, NY 11590  
(516) 333-3120

**LSI Lighting Systems Inc.**

4201 Malsbary Road  
Cincinnati, OH 45242  
(513) 793-3200

**W.N. Labadie & Associates**

1243 Harmony Court  
Thousand Oaks, CA 91362  
(805) 496-7297

**Other Listings****Lands Design Corp.**

52645 Thorne Drive  
Elkhart, IN 46514  
(219) 262-2567

**LaTour Luxury Vans**

794 S. Broadway  
Hicksville, NY 11801  
(516) 681-3648

**LaVenture Products Co.**

P.O. Box 480  
Elkhart, IN 46515  
(219) 264-0658  
(800) 348-7625

**Lavery Enterprises Inc.**

6305 MacPherson Ave.  
Levittown, PA 19057  
(215) 946-0616

**Leisure Editions Inc.**

52709 Thorne Drive  
Elkhart, IN 46514  
(219) 262-4561

**Leisure Time Marketing Inc.**

17197 Newhope St., Suite H  
Fountain Valley, CA 92708  
(714) 751-6112

**Leteron**

3305 Kashiwa St.  
Torrance, CA 90505  
(213) 534-1630  
(800) 446-5050

**Life Investors Inc.**

4333 Edgewood Road NE  
Cedar Rapids, IA 52499  
(319) 398-8511

**Liquid Glaze Inc.**

Jordan Road  
P.O. Box 482  
Toccoa, GA 30577  
(404) 886-6853

**Holt Lloyd Corp.**

4647 Hugh Howell Road  
P.O. Box 3050  
Tucker, GA 30084  
(404) 934-7800; (800) 241-8334

**LoKost Marketing Corp.**

P.O. Box 56  
Richland Center, WI 53581-0056  
(414) 527-9869  
(800) 558-5454

**Luverne Truck Equipment Inc.**

1200 Birch St.  
P.O. Box 457  
Brandon, SD 57005  
(605) 582-7200

**MIA Service Contracts**

16633 Ventura Blvd., Suite 800  
Encino, CA 91436-1872  
(818) 906-3588  
(800) CALL-MIA

**MRV**

P.O. Box 1188  
410 N. Main  
Middlebury, IN 46540  
(219) 825-8223

**McCracken Software Inc.**

3058 E. Elm  
Springfield, MO 65802  
(417) 866-5531

**McMillan & Co.**

349 Peachtree Hills Ave.  
Atlanta, GA 30305  
(404) 261-1918

**Management Computer Services**

2790 Fisher Road  
Columbus, OH 43204  
(614) 272-0202

**Manheim Auctions**

P.O. Box 105356  
Atlanta, GA 30348  
(404) 843-5225

**Marine Midland Banks Inc.**

One Marine Midland Center  
Buffalo, NY 14240  
(716) 843-5300

**Marketing Plans Inc.**

26500 Northwestern Highway  
Southfield, MI 48076  
(313) 357-1000

**Marketing Resources Co.**

5151 Loraine  
Detroit, MI 48208  
(313) 894-0317  
(800) 672-2263

**Markham Equipment Co.**

2006 W. Olive Ave.  
Burbank, CA 91506  
(818) 841-3200

**Maurer-Shumaker Inc.**

37025 Industrial Road  
Livonia, MI 48150  
(313) 591-0800

**Maxi-Guard of America**

2700 Touhy Ave.  
Elk Grove Village, IL 60007  
(312) 364-6703

**Microtron Products Inc.**

1042 W. Hamlin Road  
Rochester, MI 48063  
(313) 656-2050

**Mid-America Environment Service Inc.**

13840 S. Halsted St.  
Riverdale, IL 60627  
(312) 841-7020

**Mid-Atlantic Universal Motor Coach**

Rear 1900 Hanover Pike  
P.O. Box 177  
Hampstead, MD 21074  
(301) 374-5000

**Mills & Huerter Information Management Ltd.**

262-759 Hyde Park Road  
London, Ontario, Canada, N6H 3S6  
(519) 473-4470

**Mnemos Inc.**

850 Bear Tavern Road  
West Trenton, NJ 08628  
(609) 883-6286

**Mobile Advertising Sign & Display Co.**

818 W. Walnut, P.O. Box 223  
Westfield, IL 62474  
(217) 967-5436  
(800) 437-5200

**Mohawk Resources Ltd.**

P.O. Box 26  
Amsterdam, NY 12010  
(518) 842-1431  
(800) 833-2006

**Moloney Manufacturing Corp.**

2640 W. Belmont Ave.  
Chicago, IL 60618  
(312) 463-8012

**Monumental General Financial Service Corp.**

1111 N. Charles St.  
Baltimore, MD 21201  
(301) 685-2900

**Motors Insurance Corp.**

3044 W. Grand Blvd.  
Detroit, MI 48202  
(313) 556-5000

**NCD Associates Inc.**

675 Hegenberger Road, Suite 200  
Oakland, CA 94621  
(415) 531-8915

**NCG Companies**

1275 N. Grove Street  
Anaheim, CA 92806  
(714) 630-4541

**NICO Inc.**

P.O. Box 277  
Jonesboro, GA 30237  
(404) 478-9590

**N/S Corp.**

235 W. Florence Ave.  
Inglewood, CA 90301  
(213) 412-7074

**National Auto Auction Association**

5701 Russell Drive  
P.O. Box 29100  
Lincoln, NE 68529  
(402) 464-2170

**National Coach Corp.**

130 W. Victoria St.  
Gardena, CA 90248  
(213) 538-3122  
(800) 682-4100  
(800) 682-3100 (CA)

**National Hole-In-One Association**

728 Campbell Centre  
Dallas, TX 75206  
(214) 691-6911  
(800) 527-6944  
(800) 442-6061 (TX)

**The National System**

8619 Manchester  
St. Louis, MO 63144  
(314) 962-0761

**Nationwide Ultra Seal Inc.**

84 Sylvester St.  
Westbury, NY 11590  
(516) 997-5430; (800) 645-3466

**Net Profit Inc.**

P.O. Box 1076  
Alabaster, AL 35007  
(205) 663-1962

**New Profit Systems Inc.**

5100 Olean St.  
Fairoaks, CA 95628  
(916) 966-4642

**New World Corp.**

4110 N. Fir Road  
Mishawaka, IN 46545  
(219) 255-9205

**Mike Nicholes Inc.**

P.O. Box 368  
Gresham, OR 97030  
(503) 666-7478

**Art Niemann & Co.**

401 N. Wabash, Suite 530  
Chicago, IL 60611  
(312) 828-0061; (800) 621-1153

**Nissan Motor Acceptance Corp.**  
P.O. Box 191  
Gardena, CA 90247  
(213) 532-3111

**Nissan Security Plus/  
Nissan Motor Corp. in U.S.A.**  
18501 S. Figueroa St.  
Carson, CA 90248  
(213) 532-3111 x4257

**O**

**OGA International**  
1100 Owendale, Suite E  
Troy, MI 48083  
(313) 528-0547

**Oakleaf Corp.**  
19737 Nordhoff Place  
Chatsworth, CA 91311  
(818) 993-1223

**Oak Systems Inc.**  
340 W. Butterfield Road  
Oakbrook, IL 60521  
(312) 833-9770

**Ohio Software Inc.**  
158 E. Main St.  
Xenia, OH 45385  
(800) 523-7621  
(800) 523-9252 (OH)

**Optronics Inc.**  
250 N. Wheeler St.  
Fort Gibson, OK 74434  
(918) 478-2443

**Owatonna Tool Co.**  
555 Eisenhower Drive  
Owatonna, MN 55060  
(612) 451-5310

**P**

**Pacific Standard Life Insurance Co.**  
P.O. Box 1796  
Sacramento, CA 95808  
(619) 756-3030

**Paige-Ruane Inc.**  
The Irwin Building  
King of Prussia, PA 19406-0962  
(215) 265-4170

**Pana-Pacific Corp.**  
1460 Atteberry Lane  
San Jose, CA 95131  
(408) 942-8620

**Panasonic Industrial Co.  
Telecommunications Division**  
One Panasonic Way  
Secaucus, NJ 07094  
(201) 348-7933

**Panelbloc Corp.**  
12750 Berea Road  
Cleveland, OH 44111  
(216) 671-7780

**Paramount Industries Inc.**  
64722 CR 27  
P.O. Box 813  
Goshen, IN 46526  
(219) 534-3617

**The Patten Corp.**  
27255 Lahser Road  
P.O. Box 2150  
Southfield, MI 48037  
(313) 353-4520

**Pennsylvania Auto Dealers'  
Exchange Inc.**  
Interstate 83, Exit 12  
P.O. Box 41  
York, PA 17404  
(717) 266-6611

**Pennzoil Products Co.**  
P.O. Box 2967  
Houston, TX 77252-2967  
(713) 546-6699

**Perfection Schwank Infra Red  
Division/Schwank Inc.**  
P.O. Box 40  
Waynesboro, GA 30830  
(800) 241-9727

**Perma-Plate/Siskin Enterprises Inc.**  
185 S. State St., Suite 930  
P.O. Box 58  
Salt Lake City, UT 84110  
(801) 359-9427  
(800) 453-8470

**R. L. Polk & Co.**  
6400 Monroe Blvd.  
Taylor, MI 48180  
(313) 292-3200

**Pompano Manufacturing Corp./  
Division Eagle Picher Industries Inc.**  
2501 NW 17th Lane  
Pompano Beach, FL 33064  
(305) 979-4305  
(800) 228-1689

**W. S. Ponton Inc.**  
5149 Butler St.  
The Ponton Building  
Pittsburgh, PA 15201  
(412) 782-2360

**Precision Controls Division/  
Dana Corp.**  
Highway 74 Bypass E.  
Laurinburg, NC 28352  
(919) 276-4853

**Premiere Editions Inc.**  
27801 Dexter Drive  
Elkhart, IN 46514  
(219) 262-4477

**Prestige Products Corp.**  
1323 S. Flower St.  
Los Angeles, CA 90015  
(213) 749-8101

**Prevent-A-Theft**  
4500 Campus Drive, Suite 101  
Newport Beach, CA 92660  
(800) 854-6223

**Products For Power**  
1035 Republic Drive  
Addison, IL 60101  
(312) 543-4800

**Progressive Concepts Inc.**  
3300 S. Freeway  
Fort Worth, TX 76110-4388  
(817) 429-0432

**Prostripe Division/  
Spartan Plastics Inc.**  
P.O. Box 67  
Holt, MI 48842  
(800) 248-7800

**The Protector Corp.**  
C-1000  
Elmhurst, IL 60126-1569  
(312) 833-6877

**Pyroil Division/Champion  
Laboratories Inc.**  
P.O. Drawer 40  
Albion, IL 62806  
(618) 445-2366

# R

**RBS Industries Corp.**  
1312 Washington Ave.  
St. Louis, MO 63103  
(314) 241-8464

**RCP Co.**  
4630 Nall Road  
Dallas, TX 75380  
(214) 239-4579

**R & J Corvette Parts Inc.**  
1610 S. Clementine St.  
Anaheim, CA 92802  
(714) 772-8900  
(800) 854-6064

**R-M Products/Inmont Corp.**  
5935 Milford Ave.  
Detroit, MI 48210  
(313) 361-6514

**RVC Inc.**  
P.O. Box 709  
Goshen, IN 46526  
(219) 534-2424

**Racor Division, Parker  
Hannifin Corp.**  
P.O. Box 3208  
Modesto, CA 95353  
(209) 521-7860

**Ralrube Inc.**  
36977 Fox Glen  
Farmington Hills, MI 48018  
(313) 661-0260

**Real-Lite/Juno Industries Inc.**  
67320 Cassopolis Road  
Cassopolis, MI 49031  
(616) 699-5302

**Realmarket Communications**  
150 N. Santa Anita Ave., Suite 400  
Arcadia, CA 91006  
(818) 574-1123

**Jack Reed and Friends**  
P.O. Box 12451  
Fort Worth, TX 76116  
(817) 451-4544

**Rent-A-Dent Car Rental System Inc.**  
19415 Pacific Highway S., Suite 413  
Seattle, WA 98188  
(800) 426-5243  
(800) 522-3009 (WA)

**Re Nu Air**  
1305 S. Main St.  
Royal Oak, MI 48067  
(313) 968-9608

**Republic Industries Inc.**  
1401 Dove St., Suite 400  
Newport Beach, CA 92660  
(714) 851-8100  
(800) 854-6773  
(800) 432-7641 (CA)

**Reynolds and Reynolds**  
800 Germantown St.  
P.O. Box 1005  
Dayton, OH 45401  
(513) 443-2000

**Ridgeway Chemicals Inc.-Tektor**  
P.O. Box 340  
Catawba, NC 28609  
(704) 478-2161

**Riverpark Distributors**  
21269 Buckingham Road  
Elkhart, IN 46516  
(219) 522-7781

**Rockwood**  
P.O. Box 354  
Millersburg, IN 46543  
(219) 642-3313

**Roman Chariot Inc.**  
10630 Berea Road  
Cleveland, OH 44102  
(216) 916-0090

**Roman Wheels Midwest Inc.**  
State Road 15 S., P.O. Box 108  
Bristol, IN 46507  
(219) 848-7646

**Ronal Wheel Co.**  
15692 Computer Lane  
Huntington Beach, CA 92649  
(714) 891-4853

**Rotary Lift Division/Dover Corp.**  
P.O. Box 30205  
Airport Station  
Memphis, TN 38130  
(901) 345-2900  
(800) 445-LIFT

**Ryan Insurance**  
222 N. Dearborn St.  
Chicago, IL 60601  
(312) 269-4292

**Ryko Manufacturing Co.**  
11600 NW 54th Ave.  
Grimes, IA 50111  
(515) 986-3700

**Safelok Systems Inc.**  
1051 Clinton St.  
Buffalo, NY 14206  
(416) 854-2592

# S

**Sales and Systems Development**  
4350 Georgetown Square, Suite 717  
Atlanta, GA 30338  
(404) 451-8711  
(800) 241-7313

**Sandpiper Conversions Inc.**  
108 S. Elkhart Ave.  
Elkhart, IN 46516  
(219) 294-7664

**Sands Industries Inc.**  
52161 US 131  
Three Rivers, MI 49093  
(616) 273-8441

**Scotti Muffler Centers**  
5959 E. Rosedale  
Fort Worth, TX 76112  
(817) 451-0753  
(800) 433-7122

**Seat Cover Charlie**  
211 E. Superior  
Fort Wayne, IN 46802  
(219) 424-1570

**Security Pacific Credit Corp.**  
2660 Townsgate Road, Suite 400  
Westlake Village, CA 91361  
(805) 496-1961

**Shasta Industries**  
P.O. Box 728  
1423 Lincolnway E.  
Goshen, IN 46526  
(219) 534-2651

**Sherman Industries Inc.**  
600 W. Broad St.  
Palmiry, NJ 08065  
(609) 829-4190  
(800) 257-5207

**Sherrod Vans Inc.**  
11251 Phillips Parkway Drive E.  
Jacksonville, FL 32224  
(304) 262-8877

**Shure Manufacturing Corp.**  
1001 S. Hanley Road  
St. Louis, MO 63144  
(314) 781-2505

**Signaltone-Neiman Inc.**  
946 Frisbie St.  
Cadillac, MI 49601  
(616) 775-1373

**Sikkens Car Refinishes**  
6455 Jimmy Carter Blvd.  
Norcross, GA 30071  
(404) 662-8464

**The Silent Watchman Corp.**  
2461 McGaw Road  
Columbus, OH 43207  
(614) 491-5200

**Karl Singer & Associates Inc.**  
7950 Elmbrook Drive  
Dallas, TX 75247  
(214) 634-7014

**Sky-Top Sunroofs Ltd.**  
4700 Le Bourget Drive  
St. Louis, MO 63134  
(314) 427-1441  
(800) 327-1331

**Slant Brush Systems**  
P.O. Box 330  
Danville, VA 24543  
(800) 446-8894

**O. R. Smith & Associates**  
P.O. Box 22253  
Milwaukie, OR 97222  
(503) 659-4021

**Snap-On Tools Corp.**  
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Kenosha, WI 53141  
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